

**Producers, Processors and Markets:  
A Study of the Export Meat Industry in New Zealand**

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**A Thesis Submitted For The Degree**

**Of**

**Doctor Of Philosophy**

**In Sociology**

**At The**

**University of Canterbury**

**By**

**Bruce Macdonald Curtis**

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**University of Canterbury  
1996**

# Abstract.

The thesis is a sociological investigation of the export meat industry of New Zealand. It is concerned with the complex relations established between family farmers and agribusiness firms. The thesis demonstrates how these relations have been secured to the advantage of family farmers by a producer board which acts on their behalf. It is suggested that the politics of the producer board operated first to constrain agribusiness firms, but more recently to support their operations. The reasons for this change are explored through two case studies of processing firms. The industrial relations within these firms are also traced. The thesis plays off the specific case against more general sociological arguments about the triumph of agribusiness and the subordination of family farmers.

### Acknowledgments.

This thesis would not have been possible without the active assistance of a number of people who allowed me to interview them, on conditions of anonymity, and gave to me important archival materials. I am very grateful to Joanne Neilson for allowing me access to the files of her late father, John Neilson. I am similarly thankful to Heather Jaffray for allowing me use of the library at the Christchurch Press.

I was greatly aided in my studies through financial assistance provided by the C. W. Mills Scholarship in Sociology (in 1990) and by the New Zealand Institute of Industrial Relations Research (in 1991). I am also very appreciative of the grant I received from the Institute of Social Research and Development (in 1993). For this aid and for encouragement to pursue my studies I am grateful to Peggy Koopman-Boyden, former senior lecture in Sociology and CEO of the ISR&D.

To Colin Goodrich, who was Head of Department during my travail, I am forever grateful for the chance to complete this thesis. I must also acknowledge the almost daily assistance I received from Margaret Hawke and Christine McNeill, the Department's very able secretaries. Further, I also wish to thank Harvey Perkins, a visiting fellow to the Department, for his good and timely advice.

James Reveley provided me with friendship and commentary during the five years he worked on his dissertation. In more recent months, Jinny Baker, Sarah Jaffray, Alison Loveridge, Belinda Mortlock, Camilla Obel, Suzanne Phibbs, Jo Stilwell and Liz Tully proof read chapters of my thesis. They gave freely of their time and made extremely helpful comments. I thank you all.

Pride of place in my academic acknowledgments belongs to my supervisor of studies, Terry Austrin. He was insightful and inspiring. I could not have got this close without him.

Elizabeth Gay Johnstone, my partner, supported me throughout my studies. I hope that the completion of this thesis will, in a small way, repay her for her love and hard work.

**Dedication.**

This thesis is dedicated to Mary Anderson, Peter Curtis, Craig Curtis, and to the people I now share my life with, Elizabeth Gay Johnstone and Jim Johnstone. I also dedicate this thesis to all the children and their families we came to know through the creche. God bless you.



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## Chapter 1

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### Introduction.

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For sociologists biography, or as Bourdieu (1977) would term it habitus, is a crucial resource. How that resource is utilised, whether in sentimental or analytical form, for example, is not given. I began with the sentimental.

My first and enduring interest in the export meat industry is undoubtedly the result of being a meatworkers' son. My father worked in the casings department at Canterbury Frozen Meat's processing plant at Belfast, soon after his arrival in New Zealand, from England, in 1951 until his retirement in 1993. While I can recall only a handful of visits to my father's place of work on the outskirts of Christchurch, these visits left a lasting impression. I can most clearly remember the terrible smells as well as the vast size of what must have been the plant's cold stores. Thankfully, I was spared a visit to the slaughterboard. At home, my parents seemed to talk and to argue endlessly about the industry. They discussed the favouritism of individual supervisors and the machinations of union delegates, worried about impending strikes, bemoaned the greed of farmers and the meat firms, damned the biased reporting by the media of troubles in the industry, and deeply resented the injustices perpetuated by Government.

What I wanted when I began my research was to place my father's experiences in some sort of context and at the same time to understand the contemporary reworking of the industry (largely, it must be said, to condemn the seeming flood of plant closures and redundancies). In other words, the thesis was intended as a tribute to

meatworkers like my father and to the way things used to be for men and for the union that represented them. There are many such sociological accounts of male work, unions and their communities (Beynon, 1975; Beynon and Austrin, 1994; Dennis, Henriques and Slaughter, 1969; Lane and Roberts, 1977; Lipset, Trow and Coleman, 1962; Williams, 1981). However, my intended starting point was not to be operationalised in the thesis. That is, the questions I first set out to answer are not the ones which, finally, are addressed in the thesis, although there is a relationship between them. I had shifted to more analytical concerns.

Part of the revision of my original intentions lay in the realisation that the export meat industry, or more correctly the players that comprised it, including the men who worked on the slaughterboards and casings departments, were confronted by a multifaceted and a recurring set of dilemmas rather than by any singular crisis. Further, the more I uncovered the history of events in the industry the more I became convinced of the need to document both the relationships between the different actors in the industry and the ways in which deals between them were forged and brokered. Inevitably this interest was to take me beyond the walls of types of processing plants that my father had worked in.

My intended starting point then had been to study the struggles that embroiled management and labour within the processing plants and which, I imagined, were somehow defining of the entire industry. But, at the same time as I discovered that the history of the industry approximated a constant state of crisis, came the recognition that of paramount importance was the nexus of deals involving producers (farmers) and processors which structured the markets in the export meat industry. Many of these political deals were guaranteed by the state. Further, I discovered that these deals have generally been to the considerable benefit of farmers, rather than to processing firms.



Thereafter my interest in what could be loosely termed the sphere of industrial relations (in processing plants) came to reflect a broader argument about the networks that positioned the struggles between management and workers within the processing plants (freezing works). As a result, one of the arguments presented in the thesis is that the confrontation between capital and labour in processing was not only shaped by, but was of a second order of importance to, the statutory arrangements and deals which brought together farmers and food processors in the industry (see chapter 6).

In many regards, my belated appreciation of the centrality of farming returned me to a set of understandings which are common to New Zealand. Many New Zealanders (my parents included!) would argue that, at least at times, 'farmers run the country'. Thus, the actions of farmers who were employed by the state as special constables to break the general strikes of 1913 and 1951 are important components in the popular lore and labour history of New Zealand. Similarly, is the position of the tax concessions and import licenses given by successive National Governments in the post-war period which allowed farmers new cars, second cars, washing machines, televisions and other consumer durables at a time when city dwellers were still being exhorted to ration.

Once I had discovered the centrality of farmers they became central to shaping my research. The task of the thesis became to identify both the diverse forms of governance and the effects of the enduring and yet shifting state-sponsorship of family farming on the relationships between the actors and their networks in the export meat industry. I became fascinated with a set of quite simple questions. Firstly, how have farmers retained centrality in the export meat industry? Secondly, what are the consequences of this centrality for the other actors in the industry? Thirdly, and in particular, I wanted to account not only for the

success of farming but also for the recurring failure of agribusiness firms.

This shift in focus involved a shift in the type of analysis that I adopted. I was to shift from a labour process type of approach (Braverman, 1974; Knights and Willmott, 1990; Thompson and Ackroyd, 1995), with its emphasis on managerial control over production, to a new institutional approach (diMaggio and Powell, 1991; March and Olsen, 1989, 1995). This latter approach includes the concerns of the labour process analysis but embeds them (Granovetter, 1985) within a wider concern for the relations between actors and the networks that they are able to construct in order to pursue their diverse sets of interests. On the one hand, I wished to capture the complexities confronting the diverse sets of actors within the industry and at the same time to account for different types of governance as an inherently partial and unstable set of solutions (Campbell, Hollingsworth and Lindberg, 1991; Hollingsworth, Schmitter and Streeck, 1994). On the other hand, I wished to avoid a discussion of the industry in terms of its outright restructuring (Britton, Le Heron and Pawson, 1992).

The rhetorics associated with restructuring have dominated writings on the industry in the last decade (Cammock and Inkson, 1988; Evans, 1985; Garway Investments Limited, 1988; Hartley, 1989; Lawrence, Share and Campbell, 1992; Le Heron, 1988b; McKinsey and Company, 1988; Meat Industry Study and Trade Union Education Authority, 1988; Nolan, 1994; Savage, 1990; Sutherland, 1989; Weir, 1992; Zwart and Martin, 1988). Although these accounts are drawn from the range of actors and differing perspectives on the industry, they share a portrayal of events which emphasises the recent past. This focus is largely at the expense of an appreciation of the dilemmas, and the (partial) resolution of these dilemmas, which have always dogged the protagonists of the export meat industry.

My time-frame for study was not determined by the events which other authors identify as watersheds, such as, the termination of the Bulk Purchase Agreement (1954), or Britain's application of the Common Agricultural Policy (1973), or delicensing (1981), or the elimination of price support (1985). At the same time, it was not my desire to write a chronological history of events from the beginnings of the export trade (1882). Rather, I wished to produce an historically informed institutional analysis. This analysis was to involve the development of a narrative connecting a representation of the broad sweep of events with analysis of the politics and strategy of specific actors (Wierviorka, 1992). This means that the thesis retains a sequential element insofar as the discussion of dilemmas which confronted sets of actors in the industry and their (partial) resolution is used to construct an account across time. However, this sequential account is positioned at odds with assumptions drawn from rural sociology and the political economy of agriculture that portray the industry in terms of the unfolding of linear forms of development (see chapter 2).

The thesis attempts to steer a course between the overriding assumptions of the two literatures that position appreciations of farming. On the one hand is much of the contemporary focus of rural sociology on the decline of family farming (Buttel and Newby, 1980; Carter, 1990; Marsden, 1992; Marsden, Lowe and Whatmore, 1990b). On the other hand is a vaunted reworking of the concerns of political economy. The latter is identified by a host of book editors as constituting the 'new' political economy of agriculture (Burns, McInerney and Swinbank, 1983a; Buttel, Larson, and Gillespie, 1990; Cox, Lowe, and Winter, 1986a; Dahlberg, 1986; Friedland, Busch, Buttel and Rudy, 1991a; Redclift, 1984; Shanin, 1987; Twillis and Hollist, 1986). This literature is concerned with the opposite, the rise of agribusiness.

The relationship between the literatures of decline and rise is one of partial convergence or, more precisely, the colonisation of debates in rural sociology by the conceptions of political economy. Hence, rural sociology has a fascination with farming as a craft or as an occupation which it portrays as being doomed, whereas political economy uses formulations based in generalised socio-economic categories to proclaim the ascendancy of agribusiness firms. The crystallisation of this convergence is found in efforts to develop a conceptual subdivision that is pertinent to family farming in industrialised societies (Goodman and Redclift, 1985). There are numerous examples. Some writers contend that modern forms of farming are unambiguous in their capitalist orientation (Frankel, 1983; Friedland, Barton and Thomas, 1981; Ghorayshi, 1986). Friedland and Pugliese (1989) make claims to petty commodity production as encapsulating the appropriate class composition of farming in industrialised societies. Of greater influence is Friedmann (1978a, 1978b, 1980, 1985, 1986) and others (Reinhardt and Barlett, 1989) who proffer accounts of farming which try to operationalise the concepts of simple commodity production.

The orientation of this thesis is of a different order of abstraction, in that I seek to deal with the politics and strategies of the relationships entangling forms of business in an industry (Senker, 1988; Wells, 1984). My account takes as its main concern not the class position of farmers but rather the actors and network which comprise an industry (Grabner, 1983a; Hollingsworth, 1991), or, put another way, farmers as men and women engaged in business but willing at all times to use the state to their advantage. I argue that neither rural sociology nor political economy really appreciates the patterns of power relations that are assembled in the industries where farmers and agribusiness firms come into contact. In particular, neither literature appreciates farmers as political agents. For this reason, the thesis has its institutional focus and emphasises the interplay of actors; farmers with meat firms,

statutory bodies and unions that constitute the diverse co-operative and antagonistic networks in the export meat industry.

The thesis will demonstrate through its institutional focus that farmers' access to the state secured them and constrained agribusiness firms. In this respect, the securing of the occupation of farmers is taken as the explanation for the subsequent rises and falls of agribusiness firms. That is, throughout the history of the export meat industry agribusiness firms have tended to fail while the occupation of farming has endured. The thesis is therefore a discussion of the politics of agriculture which positions the occupation of farming 'off-farm' as much as it is an account of the direct sponsorship by the state of farming.

The thesis is structured as follows. Firstly a discussion of the pertinent debates with the literature is presented in chapter two. In this chapter I discuss and criticise the key assumptions of the sociological literature relevant to agriculture. In particular, I take issue with its dismal prognostications for family farming. This review leads to an attempt to provide an account of politics of farmers in the export meat industry. This account breaks with linear and determinist assumptions underlying both accounts of family farming and typologies of core and peripheral societies in the world system (Shanin, 1988; Wallerstein, 1979).

Chapters three, four and five investigate attempts to regulate and control product markets. The regulation of two interlinked products (stock and meat) and two markets (localised and global) are addressed. These product markets combine as a field where farmers and agribusiness firms most significantly come into contact. The deals made in these product markets consequently facilitate the displacement of farmers or their linkage with agribusiness firms.

Chapter three concentrates on the political deals and arrangements which characterised the networks in the industry during its formative decades (1882-1923). It is argued that these deals facilitated the autonomy and prosperity of farming. The pivotal set of actors in the analysis in this chapter are farmers, co-operative firms and international agribusiness firms. The political deals made around consignment and auctions of stock are discussed in some detail, as is their engendering of over-capacity in the processing sector and what amounted to the inherent instability of firms in the processing sector. These political deals stymied any rationalisation of the industry that was considered as unfavourable to farmers. Historical events -in the form of the slump in agricultural prices after the First World war- were to disrupt the uneasy balance achieved in the period. These events simultaneously unshackled the international agribusiness firms and stimulated a political mobilisation by family farming. It is argued that the formation of a statutory board of control, the Meat Producers' Board, was the result.

Chapter four deals with the composition and activities of the Meat Producers' Board (established in 1923 and renamed as the Meat Board in late 1995). The chapter examines the role of this, farmer dominated, statutory body as the key institution of policy-making and administration (Smith, 1990) in the export meat industry. The Board is portrayed as the farmers' agent, and as ensuring the continued autonomy and prosperity of farming. The Board's activities as an inspector (of export product and processing), as shipping agent, as licensing agency for the activities of processing and export, as guarantor of processing capacity to farmers, and as the promoter of classification for the trade in stock are examined in considerable detail.

Chapter five extends the analysis of the activities of the Board, but this time in the setting connected with the loss of the Board's control in the

British market. The pivotal set of actors in this analysis are the Board, local processing firms and international agribusiness firms. The local firms are examined in terms of challenging their enforced marginality in the industry. The international agribusiness firms are considered as withdrawing from the industry. This twinned process was to unfold in a circuitous manner and for a period involved the reinforcement by the Board of the unequal shares of processing and the export trade enjoyed by domestic and international agribusiness firms. The introduction of price support and subsidies for farmers are also examined. The chapter concludes with a discussion of the change of the Board's activities, made in the context of the worsening situation in overseas markets. This change saw a reversal in its opposition to rationalisation of the processing sector and the development of new attempts to franchise the overseas markets.

Chapter six discusses the regulation of labour markets in processing. The key actors in this chapter are the unions and the firms they opposed. The control by a craft form of the unions of an Australasian labour market and subsequently by an industrial union of regional labour markets is explored in terms of seasonality, seniority and piece rates. It is argued that the continued federated character of the meatworkers' unions is explained, in part, by its embeddedness in the networks of the export meat industry. The role of union delegates both in the processing plants and in the federated unions is emphasised in the configuration of union control.

Chapters seven, eight and nine investigate the processing sector. The processing sector is emphasised as crucial, because within its plants livestock becomes meat. It is argued that the establishment of a Producer's Board in favour of farmers provoked problems of control of both product and labour markets for processing firms. These problems are investigated through case studies of two firms, Waitaki International and Fortex Group.

Chapter seven draws on archival research to present a study of the rise and fall of Waitaki International (1920-1990). The pivotal set of actors in this chapter are the Waitaki company, its competitors, farmers and the Board. It focuses on the firm's efforts, after 1964, to become an integrated agribusiness firm and to displace the international agribusiness firms. Details of aborted and successful takeovers of its competitors are presented and the changing responses of the Board to the agenda of rationalisation pursued by domestic interests are reviewed. It is noted how the Waitaki company in its last years of operation was entangled with some of New Zealand's largest corporations and Freesia Meats (the investment arm of the Board). The unexpected collapse of Waitaki International, the exit of the corporations, and the enlargement of the co-operatives posed major problems for the Board which are examined in the concluding remarks.

Chapter eight and chapter nine together offer another account of the rise and fall of a prominent local processing firm, the Fortex Group (1971-1994). The pivotal set of actors in the former chapter are all located within the firm: marketing managers, production managers and the representatives of the Meatworkers' Union. The chapter focuses on the firm's efforts, after 1982, to achieve a new form of integrated agribusiness firm, based on added value processing. The tensions of being market led and of working out a new deal with the union at Fortex are explored in depth. The chapters demonstrate that at Fortex there was an attempt to fuse control over product and labour markets. An account is offered of attempts at shift working, new forms of remuneration and changes to supervision. It is argued that these innovations generated something of a fusion of interests at the plants, but were unsuccessful. The latter chapter addresses the failure of Fortex. The pivotal set of actors in this analysis are outside the firm; financiers, farmers, co-operative firms and the Board. Finally, the



emergent problems which confront farmers and their enlarged co-operative firms are touched on in the concluding remarks.

Chapter ten makes concluding remarks about the politics of agriculture. The roles of farmers, the Board, agribusiness firms and unions are considered. A shifting constellation of policies, responses and counters, are presented as a process by which farmers co-existed with and secured control, over other actors in the industry. It is argued that, explanations of farmers' control are not found in any linear or determined understandings, but rather that local and global markets were structured through a series of political interventions by farmers.

Appendix one characterises and provides an overview of the firms and processing plants that have operated in the export meat industry. It lists the shifting mix of international agribusiness firms, the farmers' firms and proprietary firms and the export slaughterhouses they owned.

Appendix two maps the information from appendix one, for the period after 1960 until 1995. It is hoped that the charting of this information will aid an appreciation of the wax and wane of international agribusiness firms, proprietary firms and farmers' firms.

Appendix three provides some reflections on the research process.

## **Chapter 2**

### **Beyond rural sociology and political economy: the debates on family farming, agribusiness firms and food chains.**

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#### **Introduction.**

In the introductory chapter I sketched my interest with the export meat industry and some of the considerations which consolidated my approach to this research. To reiterate, the questions I wish to address are: Firstly, how have farmers retained centrality in the export meat industry? Secondly, what are the consequences of this centrality for the other actors in the industry? Thirdly, what is the relationship between the success of family farming and the recurring failure of agribusiness firms (Juchau, 1992). I consider these queries throughout the narrative of the thesis and, in particular, in the context of the recent and recurring dilemmas which confront different actors in the networks of the export meat industry (Wierviorka, 1992). In doing so, I believe this thesis offers a partial redress to a lack of sociological research into an industry which the first *New Zealand Official Yearbook* rightly claimed would be a lucrative field for men (Department of Statistics, 1892: 122-123). At the same time the focus of the research is different from the established sociological literature on farming. This requires some explanation.

#### **Rural sociology and the political economy of agriculture.**

A fascination with the fate of the family farm lies at the core of rural sociology (Cox, Lowe and Winter, 1986b; Hamilton, 1985, Kenney, 1989). In this regard, Nolan (1994) notes that the contemporary accounts of family farming centre on notions of its survivalism or its subsumption. Family farming is expected by writers either to subsist in

misery or to be ruined and displaced by capitalist farming and its practitioners cast down into the rural proletariat. Clearly both of these themes explore the effects of a supposed 'capitalist penetration of agriculture' and the passivity of family farming (Shanin, 1990).

Accounts of family farming tend to explore its decline and have entailed discussions of the forms and stages of this disintegration, including the phenomena of part time farming or pluriactivity (Gasson, 1986; Zabawa, 1987) and the resurgence of share-farming (Well, 1984). These debates provide an opening into arguments about the role of women and unpaid domestic labour in family farming which are interesting but, do so largely at the expense of appreciating the household form of production as being actively embedded in industries (Shanin, 1988).

Rural sociology deals with many of the institutions (Cleary, 1989; Dupre, 1990) which are central to forms of governance in the export meat industry, although these institutions appear in the literature largely as subordinated and transitional assemblages. For example, informal forms of co-operation (Hedley, 1985) and co-operative firms are well documented as busy in food processing and in the marketing of produce but, in each case a dynamic is also identified for the political arrangements which are sustained by farmers to be pressured and marginalised. Thus, Burns, McInerney and Swinbank (1983a) offer accounts of the food industries in Britain as series of sites across which the tide is turning against all forms of small business. Similarly, Friedland and others (Friedland and Barton, 1976; Friedland, Barton and Thomas, 1979; Friedland, Barton and Thomas, 1981) explore fruit and vegetable production in California in terms of the victory of capitalist farming. Similarly, Little and Watts (1994) describe aspects of a like transformation to agriculture in northern Africa.

Farmers' appeals to the state which are consolidated as boards of control or other regulatory bodies for food industries have also received attention. Nevertheless, assumptions of marginality permeate these assessments of the political interventions of farmers. Hence, Goodman and Redclift isolate the perceived instability of such arrangements:

"The capitalised family producer has sought, and in large measure achieved, political legitimacy by seeking to distance himself from 'capitalism' at the ideological level, while fully embracing it at the economic level." (Goodman and Redclift, 1985: 242).

European writings discuss the agricultural policies of the state that result in boards of control chiefly in terms of corporatism (Hamilton, 1985; Coulomb and Delorme, 1989; Cox, Lowe and Winter, 1989). The North American writings privilege the New Deal (Kenney, 1989; Tubiana, 1989). In both cases emphasis is placed on the demise, or at least the impending demise, of these state sponsored arrangements (Buttel, 1989). The farming lobby is portrayed as being successful formerly in linking state support for family farming, mainly in terms of non-capitalist appeals, but these statutory arrangements are now taken as being imperilled by events (Smith, 1990). In other words, farmers become the victims of unintended consequences of earlier successes. Hence, subsidised agricultural sectors are presented as effectively promoting the growth of large-scale farming (Hamilton, 1985).

Clearly the marginalisation of farmers, especially of family farmers, and of the political deals they might make to further their interests is largely the norm in this literature (Shanin, 1988). In this debate family farming is pitted against a trend towards agribusiness. The latter, according to the argument, have technology on their side (Busch, Bonanno, and Lacy, 1989; Leopold, 1985). It is not surprising then that the arguments

that support this supposed trend are a version of technological determinism (Buttel, 1988).

In this literature the constraints of technology are assumed to form the constraints on agribusiness firms and/or capitalist farming (Goodman and Redclift, 1981; Reinhardt and Barlett, 1989). In this regard, the continuing reliance of farming on land (Buttel, 1989; Goodman and Redclift, 1985; Mandel, 1987) and biology (Goodman, Sorj and Wilkinson, 1984, 1987; Mann and Dickinson, 1978) are presented as constituting a barrier to capitalism and to capitalist forms of production. As a result, the focus in the literature is to account for the articulation (effectively its subordination) of forms of farming, which are conceived of as sheltered and ultimately backward, with those, supposedly more active enterprises that are based off-farm (Reinhardt and Barlett, 1989).

Braverman engaged in this form of determinist reasoning when he looked at the labour processes which linked farming and food:

“Industrial capital has thrust itself between farm and household, appropriated all the processing functions of both, thus extending the commodity form to food in its semi-prepared or even fully prepared forms” (Braverman, 1974: 274).

This literature has generated important accounts about the erosion of the presumed ‘technology barrier’ by the actions of agribusiness firms. The common argument in the literature tends to emphasise the development and dissemination of new technologies (Goodman and Redclift, 1989a, 1991; Redclift, 1984, 1986; Sorj and Wilkinson, 1985) and to position what remains of family farming as merely occupying a niche that is unattractive to agribusiness firms (Mottura and Pugliese, 1980; Sanderson, 1986).

The "tendency (is) for agribusiness to withdraw from the process of production in agriculture, focusing its profit-making activities on credit, supply of inputs, contracting, and selling, while leaving farming to small holders and 'skimming' rather than replacing them" (Shanin, 1990: 323).

The realm of family farming is described then as an already narrow range of food producing activities which is further diminished by the appropriationist and substitutionist strategies of agribusiness firms (Goodman and Redclift, 1991; Goodman, Sorj and Wilkinson, 1984, 1987). For Goodman, Sorj and Wilkinson:

"The agro-industrial 'complex' represents an incomplete, transitional phase in the industrial appropriation of agriculture." (Goodman, Sorj, Wilkinson, 1984: 196).

In their strong version of the argument farming is everywhere presented as being hemmed in by new technologies which engender greater costs of production and indebtedness (Buttel, 1989; Frankel, 1983; Lawrence, 1990). Over the long term, appropriationist and substitutionist strategies prefigure a complete transformation of food production through the deployment of biotechnologies (Goodman and Redclift, 1991; Goodman, Sorj and Wilkinson, 1984, 1987; Vergopoulos, 1985). Further, even those new technologies which fall into the hands of producers are represented as being leased to them, rather than sold to them, by agribusiness firms.

An important moment in the playing out of this dual process of the decline of the family farm and the rise of agribusiness is posited when farmers retain the land they farm but not the technologies or inputs (seeds, plants, livestock, etc) they use to do so (Commins, 1990; deJanvry and LeVeen, 1986; Leopold, 1985; Redclift, 1984, 1986; Sanderson, 1986). Both the outright ownership of farmland by agribusiness firms (Hunt, 1983; Leopold, 1985) and the contracting of farming by these large corporations are presented as arrangements

by which agribusiness ultimately 'conquers' agriculture (deJanvry and LeVeen, 1986; Little and Watts, 1994; Sanderson, 1986).

The accounts grounded in political economy resonate with assumptions of the marginality of farmers and tend to recycle Marx's initial dismissal of the peasantry (Marx, 1977). This recycling is commented on by many writers of whom most then proceed to do the much the same (Busch, Bonanno, and Lacy, 1989; Cox, Lowe and Winter, 1986a; Friedland, 1991; Hamilton, 1985, Kane and Mann, 1992; Kenney, 1989; Marsden, Lowe and Whatmore, 1990a). The rediscovery of Marx's writings was also used by Levine (1982), Shanin (1973, 1990), Mann and Dickinson (1978a), and Friedmann (1978a, 1978b, 1980) to generate very influential explanations for the continued existence of family farming in industrialised societies. This originating body of work also drew on insights from Chayanov (Harrison, 1979; Hunt, 1979; Patnaik, 1979) and Kautsky (Banaji, 1990) and emphasised the internalised features or 'logics' of family farming. Nevertheless, they too worked to extend rather than to disrupt Marx's paradigmatic contention that family farming is a vestige of pre-capitalist modes of production (Chevalier, 1983; Mandel, 1987).<sup>1</sup>

The political economy of agriculture also became intertwined with discussions about the global crisis of fordism and its forms of regulation (Aglietta, 1979, 1982; Boyer, 1988; Liepitz, 1987). This research moved beyond the family farm and the occupation of farming to draw on the insights offered by the proponents of regulation theory (Brenner and Glick, 1991; Hirst and Zeitlin, 1991; Jessop, 1990; Marsden, 1992) to account for the mounting dilemmas that confront farmers, food processors, exporters, consumers, policy-makers and tax-payers (Buttel, and Goodman, 1989; Friedland, Busch, Buttel and Rudy, 1991b;

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1 Shanin (1990) notes that for some inexplicable reasons the attempt by Marx to reprise his assessment of the peasantry (Marx, 1970) is either overlooked or disregarded as the rambling of an old man by later writers.

Friedmann and McMichael, 1989; Kenney, 1989). The multitudinous issues facing the protagonists in farming, food industries and administrations in the states of both the First and Third Worlds were addressed through such concepts as 'peripheral fordism' (Liepitz, 1987). In this literature agriculture was reworked as fordist agriculture (Raynolds, 1994).

The work of Harriet Friedmann, from her ground-breaking efforts in creating a new political economy of agriculture (Friedmann, 1978a, 1978b, 1980, 1982, 1985, 1986) to her engagement with regulation theory (Friedmann, 1987), appear as representative of the inclination of this literature towards building models. The notion of fordist agriculture is precisely such a model. It is used by writers as a surrogate for the complexities of agriculture in nations (Commins, 1990; Goodman, Sorj and Wilkinson, 1987; Kenney, 1989) and the international order (Buttel, 1989; de Janvry and Le Veen, 1986; Friedmann and McMichael, 1989; McMichael and Myhre, 1991; Tubiana, 1989). These accounts try to order an understanding of agriculture in terms of Aglietta's guiding principle, that is, the harmonisation of production and consumption. However, the main accomplishment of this approach has become a fascination with styles of consumption and with food (Goodman and Redclift, 1991).

### **Food chains and actor-networks.**

Notably absent from the discussion is the state or what I call the politics of agriculture. For an opening into arguments about politics we have to look elsewhere, to the study of food chains. The study of food chains (Friedland, 1984; Le Heron, 1988a, 1988c) constitutes an important elaboration in the sociology of agriculture. In this regard, the development of a food (agro-commodity) chain approach formed part of an effort for a 'new economic geography' (Fitzsimmons, 1986; Wallace, 1985) from which sociologists then



borrowed. While the sociological study of food chains has its origins in French scholarship (Senker, 1988), William Friedland pioneered its broader application in studies of the networks of farms, factories and agribusiness firms involved in Californian fruit and vegetable production (Friedland and Barton, 1976; Friedland, Barton and Thomas, 1979, 1981). These studies are notable for their attention to the political component of the relationship between producers, processors, and distributors.

Friedland posited that a food chain can be understood as a complex of sequential processes differently located in space (Friedland, 1984). He suggested that the study of food chains (stretching from farming into retailing) offered a potential synthesis of research, perhaps like the re-centring of sociology desired by Carter (1990), because it could incorporate studies of production practices, grower organisations, the deployment of research and development, the construction of marketing and distribution and account for labour relations. Further, the conception of sectors of commerce as food chains is an especially attractive proposition for investigations of export-oriented industries (like the export meat industry) and the approach has gained considerable favour (Gereffi and Korzenienic, 1994). In short, the conception of food chains allows an emphasis on the interpenetration and diversity of the global and the local networks of family farms and agribusiness firms which is otherwise blurred by the essentially determinist accounts of the eclipse of family farming by agribusiness firms. This appreciation is achieved largely by privileging the physical product and its transportation to, and transformation in, sites which may be scattered across the globe.

There is, for example, considerable utility in conceiving of the export meat industry as representing an international 'chain from farm to supermarket' (Le Heron, 1988d: 2). Certainly the enterprises and activities comprising the industry are sometimes separated by many

thousands of kilometres. The scattering of the sites which materially constitute the industry is most obvious in the vast distances between the sites of producing stock (farms) and of terminal markets (supermarkets, restaurants and butchers' shop). However, the conception of an industry as a food chain imparts its own biases. The focus in the study of food chains on the linkage of sites and, what is most important, on what happens to the physical product at those sites has tended to a fascination with elements of the labour process and the entanglements of corporate strategy (Chandler, 1978). The study of food chains are thereby narrowed somewhat in their potential sweep, and tend to emphasise the confrontations of capital with labour and to reconsider the workings of 'agro-industrialisation' (Ufkes, 1995).

"... capitalist food and fibre production incorporates the basic features of capitalism, especially the wage-relation. This holds for farming (sic) through to distribution and retailing. Critically, lines of antagonism are likely to appear at any site of production (eg. processing plants) or in some relational form within the chains (eg. farmers contracted to agribusiness companies)." (Le Heron, 1988b: 8).

The narrowing of focus effectively reintroduces much of the bias of classical theory, insofar as it simply defines modern examples of farming as capitalist forms of production. For example, the use of 'producing firm' by Friedland, Barton, and Thomas (1981) to define the enterprises engaged in agricultural production is later acknowledged as an oversight in review of the sociology of agriculture by the principal author (Friedland, 1984).

By contrast my research utilises what I consider to be the strongest elements from the food chain approach. I take these to be centrally concerned with the study of actor-networks and the embeddedness of social action (Grabner, 1993a; Granovetter, 1985, 1990; Hakansson

and Johanson, 1993). The writings about actor-networks have a diversity of roots, but most obviously fall within the recent debates between sociologists and economists, or more properly the sociological critique of economic modelling (Hirsch, Michael, Friedmann, 1990), that is usually described as constituting a new institutional sociology (Dimaggio and Powell, 1991; Friedland and Robertson, 1990; Grabner, 1993b; March and Olsen, 1989, 1995; Smelser and Swedberg, 1994). For my purposes, it is grounded in critiques of the business efficiency models of organisations (Chandler 1978, 1990; Williamson, 1975).<sup>2</sup>

The study of actor-networks eschews claims about best ways of organisation or logics of agriculture and, instead, focuses on the differing constraint and enablement of actors (March and Olsen, 1995; Sewell, nd). That is, in a multitude of industries the integrated firm and their forms of hierarchy remain only one among many forms of business (Baron and Bielby, 1980). Further, the study of actor-networks breaks with the approach of political economy insofar as the latter replicates arguments about the universal ability of large-scale forms of

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2 Chandler and Williamson are accused of making contributions that merely extend utilitarianism. "The transaction-cost approach ultimately is an extension of micro-economic theory, and its capacity to describe reality is bounded by the limits of the theory -that is, by the very institutional constraints that (it) would attempt to explain" (Robins, 1987, quoted in Hopper and Armstrong, 1991: 409). In something of a retrospective of his work, Chandler attempts to distance his writings on the growth of the US multi-divisional industrial corporation from the arguments of efficiency recycled by Williamson. "The basic difference between myself and Williamson is that for him (1985, p. 41): 'The transaction is the basic unit of analysis'. For me, it is the firm and its specific physical and human assets. If the firm is the unit of analysis, instead of the transaction, then the specific nature of the firm's facilities and skills becomes the most significant factor in determining what will be done in the firm and what by the market" (Chandler, 1992: 85 - 86). This is surely an artificial distinction based more on a growing sensitivity to claims about the social construction of efficiency than any real difference with the tenets of transaction cost analysis. After all, the start-point (and the main innovation) of Williamson's work is the acknowledgment of bounded rationality, asset specificity and opportunism. That is, precisely the 'specific nature of the firm's facilities and skills'.

business to benefit from technological innovations (Chandler, 1978; Leopold, 1985) and to ignore politics (Fligstein, 1990). By extension then such an approach to actor-networks constitutes an investigation of the actual historical process by which family farming is linked to, or displaced by agribusiness firms.

### **The New Zealand case.**

“...the undiluted abstractions of Marx and Weber... after all were formulated to explain the development of old, large and heavily industrialised societies.” (Brooking, 1979: 80).

Carter (1990) argues that one way forward from a dearth of sociological writings about farming and the agricultural-based export industries in New Zealand is that it might become more like a sociology of agriculture. Thus, sociologists might do themselves a great service by shedding any stipulation to study the abstracted issues of rurality as opposed to the social relations that are located in or have their origins in activities done in rural areas (Cloke and Little, 1990; Marsden, Lowe and Whatmore, 1990a). In the case of New Zealand, which is a small society and lacking in researchers, such a reorientation would necessarily entail an openness to other disciplines and would include, on the one hand, ‘geographers, political scientists, economists and sociologists’ and, on the other hand, ‘disciplines like history, English literature and art history’ (Carter, 1990: 66). Therefore, while the inclusion of fresh perspectives might help extend the sociological agenda, it would involve a recognition on the part of sociologists that the most comprehensive work in recent years on trade and agriculture in New Zealand has, like the international efforts (Friedmann, 1982), focused on its political economy and been undertaken chiefly by writers in the discipline of human geography (Britton, Le Heron and

Pawson, 1992; Le Heron, 1989, 1993; Le Heron and Park, 1995; Le Heron, Roche and Anderson 1989; Roche, 1992).<sup>3</sup>

My argument is, in part, a response to the call by Carter (1990) for a sociology of agriculture which is pertinent to New Zealand in the 1990s. It offers an analysis in terms of institutional specificity which seeks to comprehend the local and global processes that produced and then continually reproduced the export meat industry.

The relationships of the sorts of actors in the export meat industry, and especially those entangling family farming and agribusiness firms, are very different to the ones posited by the family farming and agribusiness models of development. The overriding assumption in the literature as I have suggested is of the survivalism or subsumption of family farming (and indeed all forms of farming) as a requisite of capitalist development. By contrast, networks in the export meat industry and the forms of embeddedness enjoyed by family farming in New Zealand, constitute this sector of commerce as one of the manifold examples of what Shanin has labelled 'expoliary economies' (Shanin, 1988). In this case, it is important to explain the success of family-labour forms of production (Austrin and Curtis, 1992; Curtis, 1992).

My argument therefore constitutes a critique of those literatures which envisage linear and / or converging forms of development. In its place it attempts to secure a politics of craft and household forms of production. Further, it is my contention that an analysis of centrality of farmers in the export meat industry, that is, of the politics of agriculture

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3 Insofar as human geography has traversed a watershed of self-doubt and self-criticism (Cloke, Philo, Sadler, 1991), its protagonists now may be ideally placed to reap the benefits from further incorporating the insights of other disciplines (Fitzsimmons, 1986; Wallace, 1985) and especially from use of the actor-networks approach (Yeung, 1994) in the development of a 'sociology' of agriculture that opens notions of 'local and global'.

presents a way of understanding how a society that is reliant on the production and export of agricultural commodities could obtain and maintain a standard of living at times ranked the first in the world (Crocombe, Enright and Porter, 1991; Denoon, 1983; Font, 1990). Certainly, the (selected) theorisation of development in industrial societies of Western Europe and North America cannot account adequately for the circumstance in New Zealand. The ramification is that such understandings also misrepresent development of even the industrialised societies.<sup>4</sup>

Hence, my investigation of the export meat trade describes forms of business, networks in the industry, and forms of governance which are not an important part of the historical experiences of the industrialised societies (Wright, 1993). Rather, they are products of a particular organisation of an export-oriented economy and small society. They can be regarded, as partial solutions to sustaining an export trade (Coulomb and Delorme, 1989) arrived at by actors (predominantly farmers) who faced significant disadvantages in terms of accessing markets in the international order. In this regard, the forms of business (Hill, 1974), networks in the industry, and forms of governance described in my thesis must be appreciated primarily for their outstanding durability and flexibility (Katzenstein, 1985).

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4 A body of writing makes passing comment on the associated centrality of family farming and the export meat industry in New Zealand, although its main concern is to account for issues of economic history (Simkin, 1951; Stone, 1967; Toynbee 1979) and of 'socio-historical development' (Font, 1990), and of how New Zealand is located in the international order. The unfolding of statehood, officially expressed in the attainment by New Zealand of administrative (1907) and formal (1931) independence from Britain and the role of New Zealand's founding statesmen in these developments are of concern to the most prestigious of indigenous historians (Condliffe and Airey, 1957; Oliver, 1960; Sinclair, 1961). The latter aspect of study is grounded in Marxist formulations and especially those of imperialism (Leibman, 1980; Lenin, 1977). Its authors make repeated and, I believe, ultimately unsuccessful attempts to account for the relatively privileged position of New Zealand in the international order (Armstrong, 1978, 1980; Beddgood, 1978; Bertram, 1976; Boreham, 1988; Coleman, 1958; Ehrensaft and Armstrong, 1978; Steven, 1978, 1985).

My argument is directed at an explanation of the fortunes of family farming in New Zealand which may account for the success of this form of production in more fluid and non-determined terms than merely its survivalism or subsumption. Moran, Blunden and Greenwood (1993) provide an example of this approach. These authors return, in part, to the challenge of an earlier wave of research which criticised the determinism of Marxists and instead intended to "relate types of agricultural enterprises and patterns of class relations in rural social life" (Stinchcombe, 1961: 167). Similarly, Bremner and Brooking, (1993), Cloke (1989) and Perry (1992) have offered sociological accounts of governance which attribute farmers in New Zealand with creativity in the fabrication of networks. That is, rather than being portrayed as the seemingly passive victims of change, farmers are counted among its principal agents.

This body of work helps focus my inquiry, insofar as my overarching queries are centrally concerned with issues of governance and institutional frameworks. I seek to trace the shifting deals, statutory arrangements and institutions by which family farmers enjoyed (and enjoys) autonomy and prosperity in its activities on-farm and, furthermore, by which it became closely involved in food processing and in the supply of international markets (Cornish, 1995). Much of this account leads back to the chief institutional form of state sponsorship, specifically the significance of the New Zealand Meat Producers' Board and the deals it brokered between farmers and meat firms.

### **Chapter 3**

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#### **Family farmers and agribusiness firms: Consignment and auctions, over-capacity and instability in processing.**

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##### **Introduction.**

“The economies of meatpacking required integration from production through wholesale distribution. In this case, moreover, the development of new technology led to extensive reform, not only of the transportation and production systems, ...but also of the distribution and marketing systems.” (Piore and Sabel, 1984: 59)

Piore and Sabel (1984) and business historians (Chandler, 1978, 1990; Hounshell, 1984) have identified how a handful of large North American manufacturing firms internalised the activities of distribution and supply in the closing decades of the nineteenth century. This process combined mass production manufacturers with wholesalers and resulted in multi-divisional and international firms (Cornish, 1995). In this new business success was secured in and through the building of hierarchies of control for coordinating production, distribution and supply. This model of business is regarded as constituting a prototype for all large firms and moreover for their study (Fligstein, 1990; Piore and Sabel, 1984). This type of account continues to provide an exemplar for corporate action (Baron and Bielby, 1980) which is frequently put to use in discussions of industrial development and is freely related to other types of firms, other industries, other places and other times (Chandler, 1992). For example, the portrayal of industries and their political deals as a process which culminates in the hegemony of integrated firms prefigures the literature about agribusiness firms and the fate of farmers (Frankel, 1983; Leopold, 1985).



This argument is critical for the discussions of 'agro-industrialisation' (Ufkes, 1995) as it took place in the local markets of the United States of America. It is prevalent, for example, in discussions of meatpacking and the international facets of the meat industry. By way of illustration, the manner Swifts of Chicago used the railroads and refrigerated railcars to establish both an infrastructure for the distribution and sale of frozen meat and to secure dominance over that infrastructure (Kujovich, 1970; Sorj and Wilkinson, 1985) constitutes the archetypal case study of the pursuit of forward integration and of a hierarchical organisation of local markets (Portz, 1991).

By contrast, a very different trajectory in the development of agribusiness firms was described in Britain (Critchell and Raymond, 1912; Senker, 1988). In Britain, it was the wholesalers acting as importers from global markets rather than the meatpacking firms that initially dominated the trade in frozen meat as a result of their proximity to the final market.

"Britain had no great herds of cattle to provide the basis for giant meatpacking plants comparable to those in Chicago and other American cities on the edge of the cattle frontier. On the other hand, the rich British market attracted an ever-increasing flow of beef, veal, mutton, lamb, bacon and ham from overseas. This demand led to the formation of specialised transportation and storage intermediaries, such as Union Cold Storage (Vesteys) and the Smithfield Docks. Moreover, the demand was met not by meat processors, as in the United States, but by new mass retailers, particularly the multiple shops. These retailers made the investment in supplementary facilities to assure high-volume flow of perishable products from the meat growing regions of Ireland, the Continent, South America, Australia, New Zealand and the United States" (Chandler, 1990: 274-275).

In this British case, the construction of international agribusiness firms around the processing and importation of frozen meat from external global markets was to take the form of backwards integration (Burns,

1983; Burns, McInerney, and Swinbank, 1983b). Thus, Harrison's (1963) chronicle of Borthwicks and Knightley's (1981) attack on the business of the Vestey family can be read to illuminate, albeit indirectly, the construction and operation of very large, international and thoroughly integrated agribusiness firms. These firms linked the butchers' shops and depots in Britain with the far-flung freezing works and farms of the Argentine and Australasia (Critchell and Raymond, 1912; Roche, 1992).

These contrasting cases of organising local and global markets point to an analysis which makes the agribusiness firm problematic rather than given. The working out of local and global political deals, and the actors in the industrial networks identified in this research as the export meat industry, challenges any broad generalisations concerning the development of agribusiness. Instead, a number of problematics are identified. For example, international agribusiness firms existed in New Zealand from the outset of the export meat industry in 1882. However these integrated firms were very constrained in their ability to marginalise the other players or the political deals favoured by farmers and local firms to furnish meat to the wholesalers based in Britain.<sup>1</sup> Local farmers enjoyed prosperity and autonomy in the early industry (1882-1912) which chiefly expressed a form of governance based on political deals that were far more 'grown' than 'made' in terms of their state sponsorship (Hayek, 1991). That is, farmers flourished in the industry largely because of the character of exchanges which linked them to the other interests who operated off-farm, and especially to the international agribusiness firms. In practice, farmers were secured by the structuring of political deals which mediated the connections between them and agribusiness firms within local and international markets. These political deals prevented

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1 For example, none of the international firms to operate in New Zealand achieved any substantial holdings of land, although a number of them did so in Australia and the Americas (Harrison, 1963; Knightley, 1981; Roche, 1992).

agribusiness firms from obtaining closure over the activities that coupled farmers in New Zealand with the markets in Britain.

I will argue in this chapter that the political deals made around the movement of product from the farms into the freezing works in New Zealand and then into the depots and shops in Britain established what may be considered as a field for the playing out of the struggle of farmers with agribusiness firms. This field was structured through the deals which were worked out between local farmers and agribusiness firms. This focus on deals illuminates the fashioning by farmers in New Zealand of intense and generalised competition for stock by agribusiness firms, and of a means of securing access to processing plants, and the markets in Britain by farmers.

The issues that troubled farmers in the early meat industry (1882-1923) pertained to who would profit, and to what extent, from the clearance of the export product along the food chain. In this regard, their main concern was to constrain the agribusiness firms which combined manufacturers and wholesalers, and especially the international agribusiness firms. This constraint on agribusiness firms involved farmers in firstly, the restraint of attempts (mainly by international agribusiness firms) at controlling markets, and secondly, the patterning of these markets (primarily the stock auctions and auctions of frozen meat) to their advantage. Their aim was that the supply of 'insatiable' markets in Britain was to be worked to their (farmers) advantage. As family farmers they were very conscious of staying in and operating in a global business environment.

For farmers the most important deals they set up were those facilitating the transitions of product, firstly, from farm to freezing works and secondly, from freezing works to depots and shops. The first set of exchanges required the advance of beasts into processing. The second set of exchanges involved the export and shipping of frozen

meat to Britain. Both sets of deals constituted sites where the capacity of farming and of agribusiness firms to mould and to influence the networks in the industry were forged and where, in particular, the use of agribusiness solutions (to move product along the commodity chain and to the exclusion of other players) were stymied.

Farmers were to achieve this by their local control of auctions (for stock and meat) and the links between these auctions and the intermediate firms in New Zealand and Britain. This form of control was exercised through the practices of consignment. Farmers were also to invest in the construction of their own freezing works. These works were established in all the farming districts around New Zealand and, before the First World War, processed roughly one half of meat exports from New Zealand (Critchell and Raymond, 1912; Macdonald, 1957). The former set of deals covering distribution or marketing acted in contrast to the dynamic suggested by Chandler (1978) and Piore and Sabel (1984), in that they were not so much a marginalised form of exchanges as they were an alternative to the integration of buying and distribution arrangements proposed by large-scale agribusiness firms (Shanin; 1988). The practice of consignment facilitated access for farmers to the network beyond the farm-gate. The second set of deals, the construction by farmers of freezing works, was one of many examples in the world of farmers moving into the sphere of processing (Friedland and Barton, 1976; Friedland, Barton and Thomas, 1979, 1981) and constituted a direct challenge to the international agribusiness firms, which sought to do the same. It also significantly, and perhaps paradoxically, advantaged farmers by enhancing all competition for stock. On the other hand, the combination of the deals made around consignment and the farmers' firms established a disposition to over-capacity in the processing sector and impeded the closure of under-utilised freezing works. Together these local deals allowed various intermediary firms and family farmers to operate on their 'own

account' (Loach, 1969) when they engaged in the export of frozen meat to international markets.

### **The operation of businesses under contract and on own account.**

When considering the local deals farmers made around stock and frozen meat, it is important to note that nearly all businesses engaged in the export meat industry could operate, often simultaneously, under contract or on their own account. The differentiation of activity, into that undertaken under contract or on own account, centred on whether a business handled product principally for a fee (often in the form of a commission) or to accrue revenues from its sale. In other words, it related to whether a business handled the farmers' product because of a contract to supply its services to another business or because of its ownership of those goods.<sup>2</sup>

The most significant two branches of business endeavour was found in the operation of the freezing works. Indeed, this splintering of what supposedly was to become the ambit of industrial capitalism (Braverman, 1974), of the integrated firm (Chandler, 1978, 1990), and of international agribusiness firms, (Leopold, 1985), was the defining feature of control that farmers exercised in the early export meat industry.

The agribusiness firms that operated freezing works in New Zealand were commonly referred to as freezing firms or processing firms, I will use the latter term (Harrison, 1963; Knightley, 1981; Lind, 1981, 1985; Loach, 1969; Macdonald, 1957; Perriam, 1989; Scott, 1973; Strang,

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2 Furthermore, farmers could use their pastures and their other fixed assets to raise the stock they owned and / or to fatten (to finish) stock on behalf of other farmers. The latter, contractual arrangements, constituted a form of sharefarming. However, farming in New Zealand was not characterised by the internal divisions normally engendered by sharefarming (Wells, 1984) and the fattening of stock belonging to others was merely a profitable sideline for many lowland farmers which continues today (interview, Farmer #1).

1960; Taranaki Producers, 1952). Processing firms normally levied 'killing charges' (Loach, 1969; Strang, 1960) for the slaughter, dressing of stock and the bagging and freezing of meat. The payment of killing charges left the ownership of the product (the frozen meat and collateral by-products), made available by industrial slaughter, in the hands of the farmer-supplier. Many of the processing firms essentially contracted out their factories to farmers and to other agribusiness firms (Lind, 1981; Loach, 1969; Macdonald, 1957; Perriam, 1989; Scott, 1973; Strang, 1960). Hence, the processing firms, who leased out their freezing works, allowed farmers to gain further access to the food chain.

From the perspective of local farmers, the more freezing works within a local farming district, the better (Bartley, 1987; Hayward, 1972; Stephens, 1936a, 1936c). The presence of a freezing works that contracted its services, in a local farming district, provided local farmers with the opportunity to extend their involvement beyond the farm-gate and to engage in the export trade. Local freezing works were, then, a necessary prerequisite for truly competitive bidding for stock to be undertaken by a range of prospective buyers (Perriam, 1989; Strang, 1960, Taranaki Producers', 1952). On the other hand, without access to a local freezing works, farmers were debarred from any involvement in the export trade and greatly disadvantaged in the sale of their stock.

The extent to which a processing firm would balance the use of its freezing works, to kill on own account or under contract for farmers, largely reflected its ability to procure stock and to then move the product into Britain. In the years before the First World War only the international agribusiness firms, Nelson Brothers (Critchell and Raymond, 1912) and Thomas Borthwick and Sons (Harrison, 1963), directly connected the activities between the farm-gate (immediately off-farm) and the final consumers in Britain. Nelson Brothers (Nelsons)

and Borthwicks were, from the outset of their association with the industry in New Zealand, almost entirely own account businesses, in which the linkage of procurement, processing and export was secured internal to the firm. That is, Nelsons and Borthwicks purchased stock from farmers and intermediary firms, had them processed at their own freezing works (at Tomoana, Waipukurau, Woodville, Taruhea, Hornby; and Waitara and Paki-Paki respectively) and then retained ownership of frozen meat to supply their depots and chains of butchers' shops in Britain. These international agribusiness firms pursued backward integration into New Zealand mainly to secure supply. Indeed, their involvement in the export meat industry constituted only one strand of their business interests that spanned the globe (Critchell and Raymond, 1912; Harrison, 1963) (see appendix 1).

Firms owned by farmers and other interests in New Zealand also supplied markets in Britain. For example, the Southland Frozen Meat Company (Lind, 1981) and the Canterbury Frozen Meat Company (Macdonald, 1957) also operated their freezing works mainly on own account and thereafter retained ownership and exported the frozen product. However, these local firms (owned in New Zealand) were hampered in the building of their companies, in the form of forward integration, by their relatively late arrival in Britain and by the insurmountable difficulties they faced in matching the British firms' 'first movers' control (Chandler, 1978) over the depots and shops. In contrast to the international agribusiness firms, whenever the local firms undertook the movement of frozen meat into Britain they did so mainly through the auspices of deals that remained external to the firm and were centred on the use of consignment. Consignment allowed the largest of the New Zealand owned firms to brand and to export frozen meat (Lind, 1981; Macdonald, 1957), however, and what is more important, consignment also allowed farmers to independently access the markets in Britain.

**Consignment: Securing access to Smithfield and to forward selling.**

“...in Australia and New Zealand the grower (the farmer), whether he consigns or sells on the spot, takes a keen and personal interest in all the stages through which the meat passes.” (Critchell and Raymond, 1912: 400).

The practice of consignment allowed farmers to defend and to extend their interests beyond the farm-gate. Indeed, the consignment of lots of frozen meat by farmers in New Zealand, and to a lesser extent in Australia, constituted what became the most important set of deals for the household form of production. The practice of consignment and, to a lesser extent, access to various loan and credit co-operatives (Condliffe and Belshaw, 1925; Guerin, Hawke and Sheppard, 1989; Johnson, 1989), was to become central to the fortunes of farmers (Critchell and Raymond, 1912). Consignment allowed family farmers, firstly, to enter into the export trade using their very small (and very batched) levels of production and, secondly, to sell stock while skirting any over reliance on the international agribusiness firms or on the workings of auctions.

As a means of doing business by farmers, consignment predated the development of the export meat industry. The use of forms of consignment to link production with its eventual consumption was a feature of international trade in food and fibres (Fitzsimmons, 1986) during the nineteenth and early twentieth centuries (Friedland, Busch, Buttel, and Rudy, 1991b; Friedmann, 1987, 1988; Friedmann and McMichael, 1989; McMichael and Myhre, 1991; Sorj and Wilkinson, 1985). It was used in New Zealand and Australia for the export of wool to Britain (Denoon, 1983; McMichael, 1984). In many respects, the practice of consignment operated as the mirror-image of ‘putting out’ (Jones, 1982; Szostak, 1989; Williamson, 1980), in that it allowed a decentralised and disaggregated form of household production to access markets ‘downstream’ (Cornish, 1995; Le Heron, 1988b).



Consignment involved the farmer, or some other 'shipper' (owner of the export product), retaining ownership of the export product while entering into contract with an intermediary firm, or agent, to facilitate the movement of the goods into the markets in Britain (Critchell and Raymond, 1912). Farmers were the industry's main shippers in the decades leading up to the First World War, although they were joined in this type of export of frozen meat by many of the local agribusiness firms and by some of the stock and station firms.<sup>3</sup> A significant share of these consignments of frozen meat were destined to be sold at auction, at Smithfield (Metcalf, 1991) and at other sites in Britain. Nevertheless, from the point of view of all the types of shippers, these arrangements were necessarily somewhat speculative and remained risky ventures. For example, a good many of the pioneering cargoes resulted in losses to their owners (Loach, 1969). These and other, later, losses on the export of lots of frozen meat were partly the result of misfortune and mistiming in their arrival at auction and of malfeasance by agents and auctioneers in Britain (Critchell and Raymond, 1912; Department of Statistics, 1972; Harrison, 1963).

Frozen cargoes of meat were usually sold immediately after they were unloaded on the docks at London or Liverpool and transported to the sites of auction. This practice was necessary by a paucity in cold storage that dogged the importation of frozen meat well into the twentieth century (Critchell and Raymond, 1912). Once a cargo of

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3 The stock and station firms were the descendants of the 'mortgage and agency firms' (Parry, 1964) that had played an enormously important role in shaping farming and the export trades in colonial times (Denoon, 1983; McMichael, 1984). Many of the pioneering finance and mercantile firms did not survive the changes unleashed by refrigerated exports and by the rise of the household form of production (Stinchcombe, 1961). Those that survived, did so by responding to the new types of demand for loans, credit (Bailey, 1966; Condliffe and Belshaw, 1925; Guerin, Hawke and Sheppard, 1989; Johnson, 1989; Parry, 1964; Stone, 1967; Stevens, 1970) and farm merchandise (Evans, 1984) made by the new forms of sheep farmers and the dairy farmers.

frozen meat was unloaded from a refrigerated vessel it had a shelf-life of only several days. Meat not sold one day might be returned to auction on the next, however, once frozen meat had thawed out, it would soon after begin to perish. The rapid perishability of meat meant that its sale by auction usually tended to favour the prospective buyers rather than the farmers. Without access to cold storage the agents acting for farmers were more-or-less forced to choose from the prices offered for meat on the day it was unloaded. In this regard, the construction of cold stores in London, Liverpool and other major ports (by firms and by borough councils) allowed farmers, or more properly their agents, to hold back frozen meat at times of glut and to thereby improve prices received at auction. On the other hand, farmers were also often the victims of illegal and unfair practices on the part of their agents and of the auctioneers in Britain (Critchell and Raymond, 1912; Harrison, 1963).

Attempts by farmers (and other shippers) to control these problems led to refinement in the methods of grading frozen meat. The grading of frozen carcasses for both quality and weight was initiated by Weddel and Company in about 1890 (Critchell and Raymond, 1912; Hereford, 1932). This type of grading of the export product improved the exactness of the contracts used in setting up consignment, in that, it allowed a clearer specification of the product desired by any prospective buyers (Dupre, 1990). It also provided a greater certainty in the supply of the product and, thereafter, prospective buyers of meat were able to contract directly with the owners of frozen meat and -more often- with their agents. Grading, then, facilitated a reduced reliance by farmers on good fortune and on the deliberate oscillations in prices at Smithfield.

These refinements promoted by farmers to retain control culminated in the standardization of the contracts used in the consignment of frozen meat and in the consolidation of firms that specialised as agents. The

grading of frozen meats by processing firms and, what is more important, by the firms that specialised as agents, allowed the largest of the prospective buyers of meat to bypass the auctions (held at Smithfield and elsewhere) and to secure their supplies with the use of contracts delimiting their requirements. In this regard, consignment became matched with a form of 'forward selling' (Critchell and Raymond, 1912). Retailers and wholesalers in Britain could therefore enter into forward contracts to buy frozen meat directly from the agents.

"With the introduction of the grading process, about 1890, purchasing frozen meat forward became possible. Large retailers in London and the Provinces who have regular outlets for meat of a certain quality and weight at once saw that they could partly cover their requirements for many months in advance by means of contracting to buy..." (Critchell and Raymond, 1912: 102).

The use of contracts for forward selling gradually, but never completely, displaced the earlier and more speculative forms of consignment. It was however the most important mechanism by which farmers entered into the export of frozen meat. The grading of product and the development of forward selling also allowed some of their agents to act simultaneously as the representatives of buyers in Britain and of sellers in New Zealand. These agencies went on to control the bulk of the exports from New Zealand before the First World War (Critchell and Raymond, 1912).

Both forms of consignment combined the payment of cash advances and of charges and commissions. Farmers (and other shippers) received an advance for their meat from their agent. This advance represented a share (normally 75%) of the prices being fetched for frozen meat at auction (usually at Smithfield) at the time when the refrigerated cargo left New Zealand. While the advance did not secure a transfer in ownership of product, from the farmer to the

agent, it secured the right of the agent to earn commission in the eventual sale of the export product. The agent's commission was usually 1% of the final sale. The farmer paid for all costs incurred by the agent. The balance of monies (if any) realised from the sale of meat, minus the charges and commissions, were then remitted by the agent to the farmer. If these transactions resulted in a loss then the agent would bill the farmer (Critchell and Raymond, 1912; Desmond, 1951).

In their review of the international trade in meat, made before the First World War, Critchell and Raymond (1912) are damning of the use of consignment by farmers in New Zealand and Australia. They draw a very unfavourable comparison between the industries in Australasia and the supposed efficiencies provided by the greater internalisation of markets by agribusiness firms in the Argentine.

"Meat shipped from Argentina is the property of the freezing works, which, in all but a few instances, have their own offices in London, and depots, and a complete method for the sale of meat at various ports and important marketing centres throughout England... In the case of all the South American meat shipped to Great Britain, the officials in England, or the regular agents of those companies which have not English offices, take charge of and realise the goods in their own shops, on the market or ex store. There is much less forward selling in the South American than the Australasian trade... One important difference has marked the Argentine selling method as compared with the Australasian. In the former trade the meat is, as a rule, turned over quickly; the holders have averaged the market values and sold steadily right along, and have used the cold stores merely as receiving depots for their meat. Continuous supplies have enabled the Argentine companies (sic) to develop distribution pretty well on retail lines, and owing to regular and continuous imports into Great Britain the Argentine houses have been able to avoid, to a great extent, the embarrassing accumulations and scarcities which have so frequently caused disaster to those engaged in the necessarily more speculative Australasian trade, in which, unfortunately, there has always been a lack of continuity in supplies." (Critchell and Raymond, 1912: 100-101).

Critchell and Raymond (1912) regard the use of consignment as a vestige of the pioneering, and necessarily more speculative, days of a trade dominated by farmers. In a similar vein, they bemoan the centrality of farmers in the unfolding of the networks in the industry. Throughout their account of the international trade they portray the ability of farmers to extend their interests well off-farm as a check to the 'development' of larger firms in the export meat industry in New Zealand. In doing so, they provide us with an early version of an evolutionary agro-industrialisation argument. In the making of this argument farmers are necessarily subordinated.

Nevertheless, Critchell and Raymond miss a vital point. Events that might be assessed as enhancing the efficiency of the industry also often entail a furthering of differentials in power and may well prefigure the domination of one set of players by another. Family farmers fostered the practice of consignment not out of a sense of a nostalgia, but to preserve their autonomy and prosperity. Similarly, the drive by agribusiness firms to establish backward integration across the networks in the export meat industry arguably owed as much to the securing of supply through the subordination of farmers as it did to any reduction of transaction costs (Chandler, 1978, 1990).

### **An array of freezing works and auctions.**

Nearly all the freezing works to function in New Zealand were originally financed and constructed by firms owned by local farmers (see appendix 1). Indeed, the wholesale conversion of pastures and the breaking in of native tussock and scrub lands to produce sheep for the export trade was inevitably associated with the start-up in operation of a farmers' firm in the farming district.<sup>4</sup> Furthermore, not only were

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4 Much of the pattern of road and railroad construction in New Zealand during the late nineteenth century and early twentieth century can be

farmers' firms important to the beginnings of the industry, but they continued to be established in farming districts all ready served by freezing works (Hunt, 1975; Lind, 1985). Critchell and Raymond refer to these developments as an 'Australasian System' that:

"with its numerous works scattered all over the place, compares unfavourably with the centralization which marks the Argentine freezing industry, as in the former there must be great waste in the various processes, both in erection and management of works, and in shipment, etc. Looking at the total ability of the Australasian freezing works and those in Argentina, in relation to the total shipments for a given period from the two sources, we see how, relatively, much more economical is the Argentine than the Australasian plan... there was no possibility of the New Zealand freezing works and their collateral processes developing as did the Argentine, because the business was taken up in various districts of the colony, and farmers, not commercial men, were at the head of affairs." (Critchell and Raymond, 1912: 399-401).

In this 'Australasian System' farmers' firms became an important mechanism, coveted by farmers, and put to use to intensify the competition for stock within a farming district, raise prices at the farm gate, as well as to access the markets in Britain.

Farmers' firms were to contribute to a recurring feature of the networks in the industry, noted as early as 1912 by Critchell and Raymond. In New Zealand there was inevitably more processing capacity available than there was stock to be processed. This excess of processing ability was found in nearly all farming districts and, when coupled with a surfeit of prospective buyers, generated premiums for stock. In other words, the agribusiness firms as well as the intermediary firms all struggled to fill their books. In more recent times, the owners of processing facilities were to become the foremost to bemoan the

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accounted for by the desire to facilitate the further development of 'fat lamb' farming (Department of Statistics, 1963).

difficulties and 'undue' costs they faced in finding adequate amounts of throughput.

"There is no single factor more important to the processor than throughput. Because of this, the farmer has traditionally been 'courted' by processing companies to supply stock. This has been done by offering premiums and other incentives. As a result, the net has been cast far and wide to bring livestock in from outside the locality of the processing plant at the beginning and end of season for companies to maintain throughput." (New Zealand Freezing Companies Association, 1980: 28).

The impact of this excess or, put another way, a very decentralised processing sector on the fortunes of family farmers is illustrated, in part, by comparison with the situation in Argentina during the first half of the twentieth century (Curtis, 1992). Smith (1969) shows that, chiefly through their exclusive ownership of processing facilities in Argentina, the international agribusiness firms were able to centralise all the activities of processing and of stock auctions in Buenos Aires:

"Unlike New Zealand, stock owners in Argentina never combined to establish their own freezing works. The early presences of large foreign owned plants and the scale of capital required prevented this development. Indeed freezing (processing) companies resorted to on-ranch buying to ensure continuity of supplies of chilling beef, engaged in buying 'pools' and in the case of (US based) Swifts ultimately became a significant land owner in order to ensure works were supplied (Roche, 1992: 4-5)."

This centralization of ownership and of operation was very detrimental to the multitude of small and medium sized farmers (ranchers) in Argentina who supplied the international agribusiness firms. Many ranchers were driven into very disadvantageous contracts, that bound all their output to the supply of individual agribusiness firms. Other ranchers sought better deals by selling their cattle at auction. However, these ranchers were required to drive their cattle to the

auction sites in Buenos Aires, where they invariably faced collusion on the part of the international agribusiness firms acting in this instance as prospective buyers. Portz (1991) suggests that a similar pattern of collusion existed between the integrated meatpacking firms of Chicago and Cincinnati. In this Argentine case, then, the ownership of processing by the international agribusiness firms, firstly, enabled these firms to debar farmers (and other independent firms) from accessing the profitable markets beyond the farm-gate and, secondly, to reduce farmers to the status of subordinated sub-contractors (Lorenz, 1991; Sanderson, 1986).

By contrast, the farmer controlled meat industry in New Zealand featured an excess of processing plants and a multitude of auction sites. Auctions of stock played an important part in shaping the interlock of farming with freezing works in New Zealand and with exporters. Auctions are a very common mechanism by which prices are determined and a product is moved along its commodity chain (Friedland and Barton, 1976; Friedland, Barton and Thomas, 1979, 1981). They are sites where prospective sellers confront prospective buyers and where, usually, the product is scrutinised and bids are tended in competition for a desired lot of goods. Auctions may take a multitude of forms that are revealed only in part by the insights of microeconomic theory (Smith, 1991). While auctions can seemingly epitomise the tenacity of external deals, of relatively atomised exchanges, it is necessary to also recognise their embeddedness in local context. Stock auctions in New Zealand were held, weekly or twice weekly, in the outskirts of all the cities and in most of the towns around New Zealand. The auctions took place at stockyards owned by stock and station firms, by borough councils, by farmers' associations, and by various combinations of these actors.

These auctions of stock allowed a range of actors to readily acquire and to relinquish ownership of sheep and cattle. Indeed, the



overriding contribution of the widely dispersed and decentralised auctions was to foster a real heterogeneity among the prospective buyers. Unlike the situation in Argentina, family farmers in New Zealand faced a range of prospective buyers at the auctions, and a variety of firms, large and small, integrated and consigning, were forced to compete for stock. Put another way, the small-scale of firms and the survival of many of its players in the networks in the industry in New Zealand was secured, in part, by the workings of the deals made at local auction. As a result, the international agribusiness firms, the well documented proponents of backward integration and protagonists of various cartels, were precluded from achieving any genuine closure over the movement of stock into processing or of the movement of frozen meat into Britain.

The auctions provided the most important sites for the transfer of all categories of stock. Apart from their part in linking farms and freezing works, the auctions also provided an important mechanism for the restocking of farms, the transfer of breeding stock and finishing stock (beasts that need to be fattened for some weeks or months before their slaughter) around the farming districts. The sales of these store stock were held mainly in the early spring and the autumn months and thereby provided another form of linkage, more significant than any variants of sharefarming, between the distinct patterns of animal husbandry and farming found in high country, hill country and lowland farms (Economic Service, 1956-1995; McLauchlan, 1981).

The selling and buying of stock at the many auctions in New Zealand required a prospective buyer to first inspect the beasts on offer and to then bid for those he or she wanted in competition with other prospective buyers. This type of deal was commonly referred to as being made 'on the hoof' or 'per head' (Hartley, 1989; New Zealand Freezing Companies Association, 1980). Deals made on the hoof / per head were also transacted on-farm. In this case, the representatives

(called drafters) of agribusiness firms or of the intermediary firms routinely visited all the farms in a district, where they made offers to each farmer for stock.

Businesses that bought stock, either for slaughter or for resale, always did so within relatively defined catchments for procuring the animals. The catchments of the firms which bought stock were formed by the perishable character of livestock and by the reliance of processors on rail and road transportation of all stock from the farms where they were bred or pastured to the processing plants and slaughter (Department of Statistics, 1963). Every single processing plant and firm in the country therefore procured stock within a relatively fixed territory and relied on the competitive markets for stock within its local catchment to secure throughput. This patterning of catchments for buying stock also reflected the constraints on firms to deploy drafters around the many hundreds of farms and numerous auctions located within its relevant farming district (interview, Manager #3).

Although the transactions made at auction and with drafters accounted for the bulk of sales farmers entered into, they also sold stock by deals made 'on the hook' (Hartley, 1989; New Zealand Freezing Companies Association, 1980). Farmers made these deals directly with the agribusiness firms. Typically, the owners of freezing works advertised a price per pound for the categories of meat they wished to buy. For this type of sale, a price was calculated for each beast at the slaughterhouse where it was slaughtered and dressed. The price, normally, reflected the weight of each dressed carcass, and was calculated as it passed 'over the scales' (Hartley, 1989), all the other collateral commodities (the by-products) released by the slaughter of stock thereby accrued to the processor without charge.<sup>5</sup>

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5 "Only half the weight of a beast and 80 per cent of its value is dressed and sold as meat - the rest goes to provide slipe wool, pelts and hides, intestines for sausage casings, tallow for soap and candles, fertiliser and other by-

Deals made 'on the hook' were similar to the more centralised arrangements found in the Argentine by which ranchers there were forced to find prospective buyers. However, in New Zealand the more usual practice was for all prospective buyers to scour the farming districts in the pursuit of stock. The difficulties and costs faced by prospective buyers in making deals with prospective sellers (especially with farmers) is, arguably, the clearest gauge of the ability of farmers to ensure an effective excess in the demand for stock over its supply. In other words, the prospective buyers of stock were continually forced to clamour for stock, and they did so to the very great advantage of family farmers.

The review by Critchell and Raymond of farmers' practices in Australasia became the first of many that criticised the prevailing forms of arrangements that facilitated these types of relationships between players in the export meat industry. Later accounts (Crocombe, 1991; Crocombe, Enright and Porter, 1991; Evans, 1985; Garway Investments Limited, 1988; Hussey, 1992; McKinsey, 1988; McLean, 1978; Turkington, 1979; Woods, 1988; Yerex, 1989, 1992) differ in many regards, but they all share a concern with the inefficiencies, or the supposed irrationality, of the control exercised by farmers in the export meat industry and, in particular, with the strictures they placed upon the processing sector. Each of these accounts offer their own remedy for the perceived ills of the industry, and the bulk focus on a reworking of the processing sector and on the elimination of what the authors regard as an over-capacity of meat processing facilities. However, the apparent over-capacity in the sites of industrial slaughter and in the multitudinous sites of stock auctions was ultimately purposeful. Over-capacity and the deals made at auction combined to secure farmers by extending its

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products. From this end of the business the Hellaby's sought their profits" (Scott, 1973: 20).

disaggregated forms of business well beyond the farm-gate (Curtis, 1992; Salais and Storper, 1992).

### **Co-operative firms: An ambiguous commitment by farmers.**

The construction of more freezing works than were required, at least by the dictates of abstracted efficiency, represented a solution on the part of farmers to the problems of earning good returns on their output (stock) and of independently accessing the markets in Britain. This intervention by farmers into processing was made largely as a co-operative effort (Stephen, 1984). The majority of what can be called the farmers' firms were established and run as co-operatives (Harrison, 1963; Knightley, 1980, 1981; Lind, 1981, 1985; Loach, 1969; Macdonald, 1957; Perriam, 1989; Scott, 1973; Stephens, 1936b, Strang, 1960; Taranaki Producers, 1952).<sup>6</sup> This co-operative initiative combined with the forms of consignment and of auction which configured the movement of product through the freezing works and along the food chain. Together these enterprises and deals stood against the rise of the integrated manufacturers and wholesalers, the international agribusiness firms.

Through their membership (shareholding) in these co-operative firms, family farmers were readily able to engage in and to be responsible for the activities of industrial slaughter, and to intervene in a sphere of activity that became pivotal to the success of agribusiness firms in Argentina and the USA. These co-operative firms were created and run by informal and consensual agreements involving local farmers, rather than by recourse to a form of business secured by the law. In

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<sup>6</sup> "A co-operative is an organisation of people, usually of limited means, who have voluntarily joined together to achieve a common economic end, through the formation of a democratically controlled business organisation making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking." (quoted in Cameron, 1990: 2).

1907 the Co-operative Dairy Companies Act established a register of co-operative businesses that was separate to the register listing all the proprietary firms established under the Companies Act (1903) and the subsequent Companies Act (1908). However, regardless of the precedent made in the dairy industry, the registration of other co-operative firms was extended in a decidedly piecemeal fashion to the other sectors of agriculture. Desmond (1951) shows that the farmers' firms given legal status in the decades after the Co-operative Dairy Companies Act (1907) were enterprises involved in the supply of local markets. Thus, the Co-operative Pig-marketing Companies Act (1933) was the first such extension. The subsequent wording of this Act was nearly identical to the earlier Co-operative Dairy Companies Act. Other amendments to the legislation allowed the establishment of other farmers' co-operatives. Hence the Co-operative Companies Act (1956) established egg-marketing, fertilizer manufacturing, fish marketing, milk marketing, pig marketing co-operatives, and 'such other classes of companies as are from time to time declared by the Governor-general by Order-in-Council to be co-operative companies for the purposes of this Act.'

The absence of any alternative to the forms of business established by the Companies Act (1908), at least pertaining to the meat processing sector of the export meat industry, meant that until the passing of the Co-operative Freezing Companies Act (1960) all farmers' firms were registered as proprietary firms,<sup>7</sup> and the co-operative character of these farmers' processing companies was preserved only by mutual agreement between their members. This could be gauged by the relative importance of 'wet' (farmer) shareholding over 'dry' (any other) shareholding (Strang, 1960). The farmers' co-operative firms

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7 The Auckland Farmers' Freezing Company operated for 57 years, and the Alliance Freezing Company for 16 years, before being formally constituted as a co-operative under special provisions in the Co-operative Freezing Companies Act (1960).

were established and operated around a set of political deals that typically included the majority of farmers within a local farming district. These localised deals provided farmers with access to and, to a lesser extent, control of the services offered by the farmers' processing company. The deals enshrined the farmers' processing company as a form of business that mediated the collectivity of farmers as users of, and as shareholders in, the processing enterprise.

The fusion of the roles of user and shareholder constitute the core of any co-operative effort (Stephen, 1984). Retaining the link of use and of shareholding by local farmers were crucial, wherever it was sundered then the firm lost its co-operative character and (if it survived) became a truly proprietary venture. For example, the New Zealand Refrigerating Company, the Southland Frozen Meat Company and the Waitaki Farmers' Freezing Company (Lind, 1981; Loach, 1969; Perriam, 1989; Strang, 1960),<sup>8</sup> were three among many farmers' firms that experienced this slide in shareholding (see chapter 7).

The amalgamation of use and shareholding was achieved through a number of constraints and enablements in the issue and trading of shares, voting rights, and in the running of the firm.<sup>9</sup> These rules ensured that the farmers who kept the firm supplied with stock had official control over its management. The user-shareholders were actively involved (by supplying it with stock) in the use of the factory and were issued with shares in its operation. Although there were often other users (who might not own shares) and even other shareholders (who might not supply stock), the user-shareholders typically accounted for

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8 'Control held by small investors in NZ Refrig.', *Christchurch Star*, 4/2/75.

9 For example, the allocation of shares to members was made under the auspices of the firm's Board of Directors. Shareholding was issued to farmers in proportion to the amount of stock they supplied. Thus, the supply of 100 sheep might result in the issue of 1 share, the supply of 200 sheep in the issue of 2 shares, the supply of 300 sheep in the issue of 3 shares, and so on.

no less than 80% of the issued shareholding in any farmers' firm. In most cases the articles of association of the firm required its Board of Directors to retain or to issue no more than one fifth of shares to any 'dry' shareholders. While the farmers' processing companies frequently processed stock that was owned by outside interests, the user-shareholders always received priority in the scheduling of this industrial slaughter. This preferential treatment of user-shareholders was of most importance in the summer months when considerable savings accrue in the management of pasture lands by the timely sales of excess stock (Sheppard, 1982).

In making any calculations about costings and charges all co-operative firms deployed a service orientation, in that they aimed to break-even each year in the balancing of incomes and of costs, rather than to accrue profits and dividends for their shareholders. By breaking even in their operations the co-operative firms achieved the goal of providing its services 'at cost' to farmers (interview, Director #1).<sup>10</sup> Any surpluses of income over costs were returned (rebated) to user-shareholders at the end of each financial year (Desmond, 1951). These surpluses were rebated to farmers in strict proportion to their shareholding in the co-operative. This type of surplus (or revenue) was privileged, in that neither the firm nor the individual farmers were required to pay tax on it.<sup>11</sup>

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10 This respondent was the director of a well established co-operative firm. He was the longest serving member on Board of Directors of the firm. His involvement in the industry included terms in the Electoral College of the Board although he devoted most of his energies in lobbying on behalf of the co-operative movement. He was also a very successful farmer and his family had farmed in Canterbury for several generations. In many respects, the respondent presented himself as part of an old guard, that is, of men who had helped create a strong fusion between co-operatives and the Board and wished to protect this resource in the interest of future farmers.

11 Prior to amendments made in 1989 to the relevant legislation, the co-operative meat, dairy, milk marketing, and pig marketing companies and their members (user-shareholders) were exempted from paying tax on all surpluses and rebates. This exemption reflected the 'mutuality principle'. "Under that principle a group of persons could not be regarded as deriving

Farmers could only retain their shares if they remained suppliers of the firm. Any user-shareholders that failed to supply stock to the firm for 3 to 5 years were required to surrender all of their shares. The value of shares when they were first issued (and paid for by farmers) and surrendered (sold back to the firm) was determined solely by firm. This arrangement (called trading by par value) precluded any speculation on the holding and value of shares.

The farmers' firms were a form of business that stood as an alternative to agribusiness firms. Individual farmers, by becoming user-shareholders in any farmers' processing company, inevitably surrendered much of the responsibility for the day-to-day running of the firm and for their investment in it, but they did elect the members of the Board of Directors, and did so on the basis of one share one vote (with upper limits). However, they did not directly influence the decision-making that directly impinged on deals made by the firm. For example, the setting of killing charges and the means of disposal of any frozen meat bought by the firm were only reviewed (and criticised) by farmers at annual general meetings of the firm, and thereby well after these decisions were made. By becoming user-shareholders in farmers' firms then the majority of farmers exchanged the risks and rewards of individualism for the ameliorated risks and rewards of a form of collectivism (Marx, 1970).

Furthermore, the operation of farmers' processing companies along co-operative lines was inevitably constrained by a number of mechanisms that averaged and smoothed-out the revenues of individual farmers. Firstly, user-shareholders received a share of a co-operative firm's annual rebate in direct proportion to their

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profits or gains liable to income tax where those profits or gains were attributable to transactions entirely within the circle of membership of the group." (Simcock, 1991: 905).



shareholding. Shareholding reflected the number of stock sent to slaughter with the firm in the current financial year and in 3 to 5 previous years. Thus, membership in a co-operative required farmers, at least partially, to average their earnings across time. Secondly, an important feature of all the farmers' firms was that they would buy all classes and kinds of stock offered to them by their members. Farmers' firms would typically offer a price for all stock (including old, underweight, and fat beasts), even in conditions where they had negligible worth at market. Thirdly, user-shareholders received shares and revenues from the firm regardless of whether they sold their stock to the firm or merely paid its killing charges. In other words, the immediate return to farmers' shareholding was the same for the risk takers (farmers who retained ownership of the product after processing) and the risk avoiders (farmers who relinquished ownership of the product at the farm-gate) (Hussey, 1992).

A co-operative effort is, almost by definition, an endeavour in which the returns (if any) to its members tend to be averaged out (Cameron, 1990). In this regard, the 'logic of operation' (Shanin, 1973) of the co-operative (co-operativist) firms tended to average the returns to individual farmers from their investments made in the enterprise and, what is more important, from the sale of their stock. This willingness on the part of family farmers to accept averaged returns is yet another aspect of the industry that has been subjected to criticism. Some writers argue (somewhat disingenuously) that only the operation of an industry unfettered by such interventions can achieve a rational distribution of resources (Critchell and Raymond, 1912; Hussey, 1992).

The fairly belated recognition by law-maker of this co-operative effort (by the Co-operative Freezing Companies Act, 1960) stands in contrast to the developments in the dairy industry, where the co-operative firm was given a distinct legal status within little more than a decade after the commencement of the export trade in refrigerated butter and

cheese. This difference in the timing of the statutory embodiment of co-operative firms, illustrates a divergence in the working out of two key export industries and, in particular, the proportioning of investment between farm and off-farm made by farmers.<sup>12</sup>

The interests of farmers were secured early on in the dairy industry, by the legal recognition of the co-operative firm (to the exclusion of all others) and by the nationalisation of the industry (Hill, 1974). In this regard, the ownership by farmers of co-operative firms and their involvement in processing and marketing coincided with the delimitation of most forms of competition. A corollary of this agenda was that, to engage in dairying, farmers effectively became required to own shares in their local co-operative dairy companies. Furthermore, their levels of investment in co-operative dairy companies and their other structures frequently outweighed what they made in farming. Thus, the working out of the forms of business and the deals by which farmers might maintain its centrality in the dairy industry necessitated the establishment, protection and heavy investment in co-operatives (Moran, Blunden and Greenwood, 1993; Woods, 1988).<sup>13</sup>

Family farmers in the export meat industry certainly do not express a desire for collectivity *per se*, although at times the protagonists of this form of production gave the appearance of doing so (Hedley, 1985).

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12 "The dairy industry was largely co-operatively owned with the production and manufacturing sectors (farms and factories) under New Zealand control... In contrast, most dry stock farmers sold their produce to large proprietary firms which then performed processing and marketing functions." (Hill, 1974: v).

13 "The ability of farm families to undercut capitalist organisations derives from the unity of household and enterprise and concepts of kinship. Although family farmers interact with the capitalist economy they are not fully exposed to the same external pressures as capitalist enterprises as on-farm mechanisms of resistance, both within and between families and through the medium of co-operatives allow flexibility in the degree of integration." (Moran, Blunden and Greenwood, 1993: 26).

Rather farmers in the industry adjudge their investment in co-operative firms as a means to an end (interview, Farmer #2). As a result, the relationship between the farmers' processing companies and their user-shareholders was characterised by its constant flux.

Family farmers in the export meat industry display a decided ambiguity about their firms. On the one hand, there were usually good reasons for farmers to support their local co-operative initiatives. Not least of which was their relative openness to scrutiny. Local farmers (user-shareholders) could thereby ensure that their firm was genuinely providing its services at cost. On the other hand, there were often real benefits for individual farmers to leave the support of the co-operative to others and -if the price was right on the day- to sell their stock to an outside buyer. Hence, as the director of one of the farmers' processing company noted when his co-operatively run enterprise faced a takeover by proprietary interests:

"It would be fair to say that they (local farmers) were dismayed at the prospect of losing an asset which, unfortunately, so many of them had used only as a means of obtaining another farthing per pound from an outside buyer" (Strang, 1960: 15).

Each of the farmers' processing companies operated in a very hazardous sector, while all the time acting to undo the need for their specific existence. Their instability reflected how farmers were secured in the networks in the export meat industry. That is, by the structuring of deals which mediated the connection of farmers and agribusiness firms with the local and the international markets, rather than by the early recognition (by law) and augmentation of co-operative firms (by the state). Hence, the activities of the processing and export of meat were crosscut by a multitude of deals and of players, all of who were in competition with all the others; and all of who were thwarted from any reworking or rationalisation of the networks in the industry. Thus,

farmers were served by the interplay of firms of varied types, wherein the supply of markets in Britain was kept open (accessible, above-board and profitable).

However, and like all other such interventions or solutions, this form farmers' control necessitated some costs on the actors who fostered it (Campbell, Hollingsworth, and Lindberg, 1991). The exigencies that faced farmers pertained mainly to the fragile character of the processing sector and, more immediately, to their shareholding in farmers' processing companies. The problems confronting farmers' firms, were, in part, shared by all the 'other proprietaries' (Hereford, 1932; Stephens, 1936b), those enterprises owned by shareholders other than local farmers, and ultimately reflected the concentration of the bulk of dilemmas that recurringly confronted players in the industry into the sphere of processing. As a result, the workings of the processing sector were to be regularly punctuated by bankruptcies among all the types of firms that laboured there, while the farmers' processing companies were especially prone to failure.

### **Conclusion: The formation of a statutory Board of Control.**

The privileged position of farmers in the early industry was the result of an array of local and global deals. These political deals effectively enabled one set of players (farmers and agents) and greatly constrained another set (agribusiness firms). The deals made around consignment and the free access to processing secured a multitude of paths by which farmers were able to access the markets in Britain. Free access to processing in New Zealand and then on to buyers in Britain was decisive in underpinning the autonomy and prosperity of farmers. The range of local deals also reinforced the viability of a range of intermediate businesses. What is most important, the inherent disaggregation of farmers was mirrored in the mix of firms that undertook processing and export (McLauchlan, 1981). In this regard,

the networks in the industry were characterised by an instability whose main feature was a making conditional of the operations of the international agribusiness firms. In this context, unlike in Argentina or the USA, the international agribusiness firms functioned only as 'first among equals' and they were required to compete alongside local agribusiness firms and intermediary firms. The international agribusiness firms were able to buy stock and process them in New Zealand and to then engage in export, but they were prevented from deriving any real economies of scale while so doing (Chandler, 1978).

The onset of the First World War represented a watershed for the export meat industry. Before the war the state played a minimal part in securing practices in the networks in the industry and afterwards it played a far greater role. In short, the arrangements for the supply of Britain made during the First World War and the slump in agricultural prices which came in the wake of the armistice and the return to 'free trade' (Harrison, 1963) united to disrupt the pre-war arrangement that I have detailed.

The outbreak of First World War and, in particular, the attacks by German U-boats on Allied and neutral shipping disrupted the supply of markets in Britain and heralded the institution of the Commandeer. The Commandeer was set up in 1915 and established buying arrangements between the Governments of Britain and New Zealand, wherein the British Government purchased all exportable surplus of meat (Department of Statistics, 1982). The prices offered to farmers under the Commandeer engendered both prosperity and rumblings of discontent in New Zealand. The Commandeer spelt the end to all forms of consignment and in the absence of this means of accessing the markets in Britain this meant that the international agribusiness firms enjoyed a far greater and more dominant share of the export product. Many farmers and especially those in the outlying districts felt that they were being denied access to the markets in Britain by the

undue influence and collusion of the international agribusiness firms (Harrison, 1963; Knightley, 1981).

In 1917 a Parliamentary Committee was established to investigate the workings of the international agribusiness firms and it reached the conclusion that:

“...both the British firm Vestey Brothers and the American group Armour and Company were operating in New Zealand and engaging in unfair practices.” (Brooking, 1981: 236).

However, as Brooking goes on to note:

“No action was taken while the post-war boom continued, but once prices fell in 1921 both farmers and the Government found a ready scapegoat for their troubles -the ‘Meat Trusts’ (Brooking, 1981: 237).

The termination of the Commandeer, in June 1920, unleashed an intense struggle between the international agribusiness firms mainly as a consequence of the expansion by Vesteys and of their encroachment on the market shares of the other large agribusiness firms (Knightley, 1981; Smith, 1969). This showdown was played out all along the commodity chain as Vesteys attempted to undercut the cartel around the supply of the markets in Britain which was then dominated by Armour and Swifts. Many of the surviving intermediate firms and processing companies were absorbed at this time by the international agribusiness firms. Long established agencies ceased trading, including; Gordon, Woodroffe and Company, Michie and White Limited, H. S. Fitter and Sons Limited, and Sheed, Thompson and Company, and Kean and Company, alongside the locally-owned New Zealand Producers’ Co-operative Marketing Association (Hereford, 1932; Stephens, 1936b). Furthermore, the prices for frozen meat in Britain were crashed deliberately by the international

agribusiness firms. While this manoeuvre temporarily benefited the consumers in Britain, as a result, farmers in New Zealand found that the prices they received at stock auctions and from consigning dropped precipitously and, even more ominously, that their share of the prices received at Smithfield also fell. Whereas in 1914 the prices at stock auctions constituted about eighty percent of the prices at Smithfield, by 1922 this ratio had fallen to only forty-six percent (Hayward, 1972).<sup>14</sup>

From the perspective of family farmers, the predicament they faced in the industry seemed certain to worsen as international agribusiness firms rapidly approached a threshold of dominance in New Zealand and in the international trade whereby they could impose conditions of monopsony.

"It appears that the New Zealand meat-processing industry may have the characteristics of a natural monopsony, that is, an industry in which the least cost production requires that there be only one firm." (McWilliams, 1994, for the Boston Consulting Group, cited in Stewart).<sup>15</sup>

For farmers the new centrality of the international agribusiness firms, foreshadowed the elimination of consignment, many of the auctions, and the closure of processing companies.

Their response to this threat centred on an intense lobbying of Parliament by the Farmers' Union (Stephens, 1936a, 1936c Bremner and Brooking, 1993; Brooking, 1980, 1981; Stephens, 1936a, 1936c). In early 1922 a Producers' Conference was held in Wellington and proposed the creation of a 'Board of Control' (Hayward, 1972) that would oversee and protect the interests of family farmers. Several versions of such a Board of Control were mooted before a Bill

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<sup>14</sup> "The net return for a sixty lbw. wether sold in London for 41 / 2d. per lbw. was 15 / -, but by 1922 it had fallen to 6 / 3d." (Hayward, 1972: 13).

<sup>15</sup> Stewart, K., 'Freemarket follies', *NZ Listener*, 25/6/94.

proposing the formation of a Producers' Board was introduced. The relevant legislation was introduced into Parliament on 2nd February 1922, and within the week a new statutory body was created that would go on to play the pivotal role in the fortunes of the industry, the New Zealand Meat Producers' Board of Control (Bartley, 1987; Hayward, 1972; Hereford, 1932; Stephens, 1936a). In sum, this agitation by farmers in defence of an array of deals that enabled them produced what was to become the most effective mobilisation of state support for any single interest or sectoral group in New Zealand (Cloke, 1989; Hayward, 1972; Moran, Blunden and Greenwood, 1993; Perry, 1992).



## **Chapter 4**

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### **The New Zealand Meat Producers' Board of Control: The farmers' agent.**

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#### **Introduction.**

"Whereas the economic welfare of New Zealand has lately been adversely affected by reason of a reduction in the net returns receivable by persons engaged in the business of the production of meat for export, such reduction being due in part to falling prices and in part to the charges payable in respect of freight and other services; And whereas conferences have lately been held of representatives of the Government and of persons whose business is the production of meat for export, and it is has been resolved that the public economic welfare will be promoted by the establishment of a Board of Control, with power to act as the agent of the producers in respect of the preparation, storage, and shipment of meat, and in respect to the disposal of such meat beyond New Zealand; And whereas it is desired to give effect to the resolutions aforesaid, and to provide by law accordingly: And whereas it is further deemed necessary and desirable that the expenditure of the Producers' Board of Control should be subject to audit as if it were public expenditure, and that expenditure of the Producers' Board should be guaranteed by the Government of New Zealand" (Meat Export Control Act of 1923).

The Meat Producers' Board was brought into existence and its expenditure guaranteed by an Act of Parliament in 1923. The Board was designed to defend the interests of farmers in the face of an imminent threat posed by integrated firms. These international firms were forms of agribusiness (Leopold, 1985) that seemed on the brink of subordinating the farmers and the political deals through which they had enjoyed conditions of autonomy and prosperity in New Zealand. This subordination would have been secured through the reshaping of

stock procurement in farming districts along the lines of monopsony (Smith, 1969) and the prevention of farmers from independently accessing the overseas markets.<sup>1</sup>

I have argued that the successful reproduction of family farmers in New Zealand related to their favourable linkage to the local and global markets in the activities of processing and export (see chapter 3). In this chapter I will demonstrate that the contribution of the Board to the farmers was to maintain and secure these linkages and in doing so to retain farmers' control of the export industry (Hollingsworth, 1991). The Board therefore was to become a new collective actor within the industry, an actor which deployed bureaucratic controls to advance political deals in the interests of farmers against a process of rationalisation which would have favoured agribusiness interests (Smith, 1990). On the one hand, the Board was to enforce divisions in local space through the legitimisation of catchments within which processing firms procured stock. On the other hand, the Board was to extend control over much of the accessing by farmers of overseas markets. Consequently, family farmers could rest secure in the knowledge that no agribusiness firms could dominate the local or global markets for stock and meat. They could also be certain that the prices they received for stock and meat would remain remarkably constant across all the farming districts in New Zealand.

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1 "Capital represented by Vesteys, Thomas Borthwick and Sons, the US Meat Trust Companies, particularly Swift and Armour, all actively sought to coordinate the frozen meat commodity production chain from stock rearing to consumption and more -in the eyes of some critics, to achieve a dominant position in the US and British food markets... Fairly early on however, the activities of British and US meat companies in New Zealand and Australia in particular, produced a series of efforts at regulation. State policy geared to controlling the activities of freezing companies or excluding same, and co-ordinating sectoral sales and marketing was integral to the rise of settler nation states" (Roche, 1992: 8 - 9).

The brief of the Board was from its outset 'to obtain the highest possible net prices for the producer' (Hayward, 1972: 197). This farmers' agenda was achieved through a number of strategic interventions and modifications of the existing political deals in the industry. The Board assumed authority over the transaction of several important exchanges involving farmers. The Board was to: (1) unify and monitor the inspection, grading and branding of meat; (2) negotiate the freight rates for shipping and determine the timetabling of refrigerated cargoes; (3) license all freezing works and enforce the policy of the 'open door' and; (4) monitor and approve the schedule for stock procurement. Such actions point to an important example of the politics of bureaucratic control.

### **The composition and funding of the Board.**

The Meat Producers' Board was established by the Export Control Act, an Act of Parliament made in the context of a dramatic slump in agricultural prices and in response to a mobilisation by farmers. The slump in agricultural prices following the end of the Commandeer (1915-1920) was attributed by farmers to the collusion of middlemen (Stinchombe, 1961) and especially to the international agribusiness firms. The Board was from the outset the farmers' statutory body. It was controlled by them and it was neither intended nor has it ever operated as a representative or advocate of all the interests involved in the networks in the export meat industry. The significance of a Producers' Board as opposed to a sectoral or industry grouping cannot be overstated. An 'industry' board would have acted as the arbiter of sectoral interests, whereas the Producers' Board was to act as the champion of farmers. In this regard, the statutory body that regulated the industry was very different to the bodies created (at about the same time) for the export meat industries in Argentina (Smith, 1969), Australia (Denoon, 1983; Roche, 1992), Canada (Dupre, 1990) and for the local meat industries of the USA (Portz, 1991), Britain

(Smith, 1990; Steen, 1981; Wilson, 1977), and France (Cleary, 1989; Coulomb and Delorme, 1989).

The Meat Producers' Board was given wide ranging powers over all facets of the industry. The actions of the Board extended beyond the exchanges and activities in which farmers had a direct investment. In 1939 the autonomy of the Board from Parliament was formalised by the Meat Act (1939), legislation which required the Minister of Agriculture to follow all recommendations (that is, the directions) of the Meat Producers' Board (Bartley, 1987: 36; Hayward, 1972: 21). This arrangement between the Board and the Minister of Agriculture reversed the generally understood norms of corporatism (Coulomb and Delorme, 1989). This formal subordination of the Minister of Agriculture to the statutory body was to last until the early-1970s.<sup>2</sup>

Membership of the Board first consisted of eight members all of whom were appointed by the Government for a period of two years. The composition of the Board included five 'representatives of the producers of meat for export', two 'representatives of the New Zealand Government' and one 'representative of persons for the time being engaged in business as stock and station agents' (Export Control Act, 1922). However, the proposed representative of the stock and stationers never sat on the Board. The delegate proposed by the stock and stationers was an outspoken critic of the Board and was rejected by the Minister of Agriculture. In response the stock and stationers refused to propose any further candidates. As a result, the position for a representative of the stock and stationers remained unfilled until it was abolished in 1956. Thereafter, a representative of the Dairy Board

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2 The decision-making of the Meat Producers' Board was exempted from requiring any approval of its actions by the Commerce Commission. The Board was able to pursue its policies free of the legislative constraints against monopoly and restrictions on trade. Furthermore, firms in the export meat industry were disbarred from making appeals against the decisions of the Board to the Commerce Commission.

was appointed to the Meat Producers' Board (Bartley, 1987; Hayward, 1972).

The composition of the first Board owed much to the hurried passage of the relevant legislation. The first personnel were appointed by the Government without any formalisation of the mechanisms by which the representatives of producers and stock and stationers might be elected. However, a system for the election of the representatives of farmers was to become codified in the months after the establishment of the Board (Weir, 1992). The election system chosen by farmers featured a two-tiered system, in which sheep farmers in each electoral district elected (by postal vote) one or more representatives to an Electoral College. The franchise was inclusive of small-scale sheepfarmers. To be eligible to vote farmers were required to own at least 100 sheep. In 1970, the eligibility to vote was extended to farmers who owned at least 100 beef cattle. New Zealand was initially divided into six electoral districts in 1923. The number of electoral districts was increased to ten in 1928, to twenty-one in 1947, to twenty-two in 1957 and by 1964 to twenty-three. Although the boundaries of the electoral districts changed dramatically (more-or-less mapping the changes to the national sheep flock and of farming districts) the general principle was to maintain an equivalence of voting rights between districts (number of delegates they elected to the Electoral College). Despite these changes the size of the Electoral College remained at 25 delegates (Bartley, 1987; Weir, 1992).

The members of the farmers' Electoral College decided on the appointment of representatives to the Meat Producers' Board. Two of the five representative positions on the Board fell vacant each year. The Electoral College was required to select representatives to the Board from outside their own ranks. That is, members of the Electoral College were disbarred from serving on the Board. The Electoral College was further constrained to select only from candidates

nominated by individual farmers or recognised groups such as the Agricultural and Pastoral Associations, Sheepowners' Federation or Farmers Union / Federated Farmers (Bartley, 1987; Hayward, 1973; Weir, 1992). The representatives of producers on the Meat Producers' Board were not required to be eligible to vote in the elections for the Electoral College and they did not have to be farmers, although inevitably they were (Bartley, 1987).

The Board was guaranteed by the Government but was funded by farmers through two related mechanisms. Firstly, the Board obtained all of the funds from the 'reserve account' established by the New Zealand Government during the Commandeer (1915-1920). These monies represented the difference between what the New Zealand Government had received from the British Government during the First World War and what it had paid out to farmers. Following the end of the similar arrangements made during the Second World War called the Bulk Purchase Agreement (1940-1954) the Meat Producers' Board received a similar boost to its coffers (Reissner, 1990). This source of funding allowed the Board to build up a '100 million dollar reserve' by the 1950s (Hayward, 1972).

Secondly, the Board imposed a compulsory levy on all farmers engaged in the production of stock for export. A charge was imposed on all stock slaughtered for export. The levy was deducted by processing companies on a 'per head' basis. In 1993 these 'Meat Levies' were set at 47 cents / head for all sheep, 24 cents / head for bobby calves and \$2.40 / head for all other cattle (Department of Statistics, 1995: 417). The processing firms that slaughtered these beasts were required to calculate the levy and debit accordingly the individual farmers who supplied the flocks of stock, and to then remit the balances to the Board on a monthly basis. The funding of the statutory body through a compulsory levy on farmers, but collected

through currently processing firms, makes it around \$25 million each year.

### **The Board as inspector.**

The international trade in sheepmeat began in 1882, some fifty years before the creation of the Board, and the legislation that covered the inspection of slaughterhouses and the branding (identifying the origins of frozen meat) and the grading (identifying the quality of frozen meat) of meat destined for export in this period was piecemeal. The first laws relating to slaughtering and meat pre-dated the refrigerated cargoes and therefore made no mention of the export meat industry. Thus, the Slaughterhouses Act (1877) made borough councils responsible for the inspection of slaughterhouses and required them to keep records of inspection.

The Stock Act (1893) charged the newly formed Ministry of Agriculture with monitoring the borough councils and the actual inspection of slaughterhouses was thereafter undertaken by inspectors from the Ministry. This legislation was passed in response to widespread public concerns about poor food hygiene and issues of public safety.<sup>3</sup> The

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3 The burgeoning export meat industry was a significant source of pollution. While most of the marketable product of the industry was exported beyond the shores of New Zealand, the collateral activities of slaughtering and freezing were not. The problems of effluent disposal, in particular, became more acute as throughput increased and as urban areas began to encroach on the established freezing works. The Chief Government Veterinarian, 1893-1908, was driven to comment:- "I cannot condemn too strongly the present disgusting spectacle to be seen near most slaughterhouses of grovelling pigs and screeching gulls wallowing amongst and tearing about the reeking, and at times putrefying refuse... I venture to state that in no other civilised portion of the world could a similar state of things be found in such an important industry from a public health point of view... At the present time drainage does not practically exist for the majority of these premises, pigs taking on the functions of scavengers of the blood and offal; and the water supply is of the most limited description, derived... chiefly from shallow wells dug as near as possible to the slaughter shed for convenience. These wells are in several instances little else than cesspools, their contents being chiefly filterings from the contiguous fetid quagmires.

export meat industry was explicitly excluded from all forms of inspection, branding and grading. In other words, the concerns about substandard facilities and shoddy food handling that ran rife among local consumers was not extended to the international trade. The Stock Act (1893) and the Abattoirs and Slaughterhouses Act (1894) stated explicitly that the export meat industry was exempt from all forms of Ministry and borough council inspection:

“Notwithstanding anything in this Act contained, no cattle (sheep, goats, pigs, and beef cattle) slaughtered for export purposes only in a slaughterhouse belonging to an establishment for the freezing of meat shall be liable to the provisions of this Act relating to inspection” (Abattoirs and Slaughterhouses Act of 1894).

Only where stock was slaughtered for export but subsequently became available for the local market did the provisions of inspection, branding and grading become pertinent:

“The carcasses of all cattle (sheep, goats, pigs, beef cattle) slaughtered in such establishment, if sold within the colony, shall be subject to all provisions of this Act.” (Abattoirs and Slaughterhouses Amendment Act of 1894).

The Slaughtering and Inspection Act (1900) represented the first extension of the powers of inspection, branding and grading by the Ministry of Agriculture -laid out under the Stock Act (1893)- to the activities of the international trade. The Act of 1900 established a requirement for a certificate of examination to be produced for all exportable meat that was loaded onto shipping. The certificates of examination included confirmation that: (1) the stock was slaughtered with permission of an inspector from the Ministry of Agriculture; (2) the

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...the wooden floors and walls are saturated with the accumulated blood of years... it appeared to me in some instances that the supply of water was even insufficient to cleanse the instruments used.” (J. A Gilruth, 1897; cited in Scott, 1973: 56 - 57).



carcass was disease free; (3) the shipment was disease free and in good condition; (4) the shipment has been graded (no details given); (5) the meat had been branded; and (6) it was properly preserved by freezing, chilling or salting and properly packed (Slaughtering and Inspection Act, 1900).

The concerns underlying the introduction of the legislation of 1900, which resulted in the inspection of freezing works by the Ministry of Agriculture and the branding and grading of frozen meat, stemmed from a history of misrepresentations about the quality of frozen meat and of stock. Many farmers felt that the intermediary firms (agents) and agribusiness firms were not paying the full worth of their product and they were in favour of an expanded role for the Ministry. As was noted, such moves can be seen as expressing the lasting distrust held by farmers for all 'middlemen' (Stinchcombe, 1961).

There is no doubt that a good many of the auctioneers and butchers in Britain had little hesitation in selling fresh meat and imported frozen meats as one or the other. Good quality frozen meat was often thawed and sold as fresh meat, while poor quality fresh meat was also presented as the produce of Australasia. Such false trading pandered to and reinforced prejudices about frozen meat and secured a premium for the fresh meat and the home kill. The governments of both Australia and New Zealand brought successful prosecutions against British butchers for this type of 'false trade description' (Critchell and Raymond, 1912: 270-273).

Branding and grading the product destined for export by itself provided some check on this form of duplicity. Nevertheless, the retention of a private warranty in the assessment of meat and its classification into various grades and brands meant that the agents and agribusiness firms could easily label or relabel imports into the markets in Britain. In this regard, the Act of 1900 more-or-less required

only the formalisation of the practices used by firms. The bulk of inspection occurred on the wharves around New Zealand and entailed the limited sampling of cargoes and the verification of paper work. A multitude of private brands and methods of grading proliferated and (apart from the years of the Commandeer) dominated the international trade. For example, Nelson Brothers' labelled all of its frozen lamb from New Zealand as 'Canterbury Lamb' which was regarded as the premium of imported meat, even though it did not operate a processing plant in the province (Critchell and Raymond, 1912: 109-110; Loach, 1969).

The absence of permanent and independent inspectors within the freezing works, made farmers reliant on the honesty and goodwill of processing companies for accurate assessments about the quality of their stock as revealed by the procedures of industrial dis-assembly. The significance of unfair reductions in receipts for stock bought on the hook -after the carcass passed over the scales in the freezing works- is impossible to gauge, but the suspicions held by farmers were widespread.

Although farmers, stock buyers and drafters develop a considerable expertise in judging the confirmation, health and attributes of stock (in the field or in the saleyards) a conclusive valuation of stock is only possible after it has been slaughtered and dressed. Old age, bruising, excessive fat and broken ribs and limbs reduce the value of carcasses. Pleurisy, tuberculosis, cancer and cysts render meat and smallgoods unfit for human consumption. Fungal infections, cuts and abrasions, and parasites damage runners and pelts. Thus, the slaughter and dressing of stock may reveal a host of imperfections or deficiencies within the carcass, offals, intestines or pelt. Typically such deficiencies in the meat and collateral by-products were deducted from the farmer's account.

With the introduction of the Meat Producers' Board the locus of inspection was shifted from the wharves to the freezing works. The Board was to enforce a unified code of brands and grades and employ inspectors in every freezing works. The marking of frozen carcasses with official brands and grades in indelible dyes drastically reduced the scope for relabelling. Although the brands and labels of individual firms were retained, these marks could only be used with the approval of the statutory body. In doing so, the Board broke the warranty of agents and the international agribusiness firms in the supply of markets in Britain. It also provided farmers with an independent verification of the quality of their stock. Significantly all the costs of inspection and of the implementation of the new codes of branding and grading were passed on to the processing companies.

These moves to secure and to enforce inspection rights on behalf of farmers are common to other agricultural-based networks. Dupre (1990) provides an analysis that is applicable to the negotiation of inspection by the Board in New Zealand. She illustrates how the Government of Quebec became involved in the regulation of warranty in the export dairy industry. She accounts for the involvement of the Government in terms of an attempt to counter perceptions of low quality among consumers in the markets in Britain of butter and cheese from Quebec. In this regard, the imposition of Government sponsored codes of inspection, branding and grading acted as a guarantee of quality and, eventually, allowed some reassignment of Quebec export produce in the minds of British consumers. Dupre further suggests that benefits accrue from Government intervention in disaggregated sectors (like agriculture) because small-scale production makes 'voluntary arrangements very difficult to carry out' and hence 'there are no good substitutes for regulation' (Dupre, 1990: 340). Thus, the involvement by the Government of Quebec ultimately centred on securing of small-scale dairy farming and dairy factories.

Similarly the benefits of the early development of state sponsored warranty over food exports is also alluded to in much of the work by Harriet Friedmann (1978b, 1980, 1982, 1987, 1988; Friedmann and McMichael, 1989). In the case of New Zealand, the working through of a warranty sponsored by the state and administered by the Meat Producers' Board undoubtedly helped secure and to extend farmers' control over the industry. However, these movements were made not so much in response to perceptions of low quality among consumers in the markets in Britain but as a means of further disciplining the middlemen. That is, the Board removed much of the decision making capacity of international agribusiness firms to grade and (to a lesser extent) to brand the export product. This role of the Board as inspector was supplemented by a very different role of agent negotiating inclusive deals with shipping lines.

### **The Board as shipping agent.**

"Referring to the Blue Star Line's advertisement which appeared on 7th June, it should be known that this Line is controlled by Vestey Bros. We are sure Exporters and Importers will not be deluded into believing that this propaganda is entered into for their benefit. These Press notices were only issued by that Line after they approached us for a 10% share in the New Zealand (trade) and had been refused... The Blue Star Line and the Vestey Bros. combine the roles of Producers, Owners of Freezing Works, Owners of Cold Storage in England, Salesmen and Distributors with that of Shipowners and Carriers, which is entirely contrary to the general understandings between Shipowners and Shippers" (Scott, 1973: 151).

By the time of the First World War a cartel (called a conference) of shipping lines absolutely dominated the sea routes between New Zealand and the rest of the world. This conference (and other conferences on most of the other sea routes) was the result of amalgamations and agreements between the shipping firms

undertaken in the early years of the twentieth century. As a result, by the time of the First World War a stable conference carried all of the frozen meat from New Zealand to the markets in Britain. The conference was made up of the Pacific and Orient Line, the Port Line, the Shaw Savill Line, the New Zealand Shipping Corporation and, slightly later, the Blue Star Line (owned by Vestey's) (Meat Producers' Board, 1979; Molyneux, 1967). The conference tried to establish exclusive shipping arrangements to ensure that all freight was conveyed by its members. The conference enjoyed considerable advantages in dealing with farmers. Freight rates, conditions and timetables were offered to farmers on a take it or leave it basis.<sup>4</sup>

The linkage of processing firms and of shipping lines was a feature of British domination in the industry that dated from its early days. The foundation of the export meat industry, in the wake of the depression of the 1870s, had involved many deals between shipping lines and various emerging agribusiness firms. For example: (1) the Federal Line (subsequently the New Zealand Shipping Company) owned the Ocean Beach freezing works until the 1920s; (2) the first international agribusiness firm in New Zealand, Nelson Brothers, maintained a shareholding in the Towser Line and shipped exclusively through it; (3) the Auckland Frozen Meat Company, the Canterbury Frozen Meat Company, the Christchurch Meat Company and the Southland Freezing Company had established exclusive shipping arrangements with the New Zealand Shipping Company, while the shipping line held debentures in these local agribusiness firms (Loach, 1969).

Farmers, and other small shippers, were given to regularly complain of collusion between the conference lines and the larger agribusiness firms. However, with the return to free trade after the Commandeer (1915-1920) it seemed that farmers primarily confronted two closely

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4 'Meat Board defends shipping arrangements', *Christchurch Press*, 11/9/79.

linked cartels: one in processing and export, and the other in shipping. On the one hand, the international agribusiness firms stood ready to transform the buying of stock and the processing of meat. On the other, these firms seemed predisposed to make exclusionary deals with the conference lines (and vice versa), to the very great detriment of farmers. Agreements -or collusion- between international agribusiness firms and shipping lines was labelled 'pooling' by its opponents (Smith, 1969).

Pooling involved the long term contracting of shipping capacity by the international agribusiness firms. These agreements constituted an effective mechanism for preventing the intrusion of newcomers, either into processing or shipping. That is, a processing company could not ship more than its tonnage allocated by the pool, and without an adequate allocation there was no possibility of entering into the export trade. Thus, pooling resulted in farmers and other small shippers being excluded from the export trade. In this regard, the rapid growth of the group of companies owned by Vestey's constituted a worst case scenario for family farmers. The simultaneous movement by Vestey's into the meat trade and into the conference did much to heighten farmers' concerns about collusion (Knightley, 1981).

At its first meeting the Meat Producers' Board assumed overall control for the shipping of exports of meat, casings and hides from all ports in New Zealand and by the carriage of all shipping lines (Hayward, 1972). The Board took over complete responsibility for the negotiation of shipping contracts pertaining to the export of meat. These contracts were binding on the shipping lines and on all individuals or businesses engaged in export, despite being agreed to without the consent of the owners of cargoes.<sup>5</sup> In fact, all businesses engaged in the export trade -all agents, all types of agribusiness firms, and all other

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<sup>5</sup> anon, (1979), 'Metamorphosis grips Australasian routes', Freight Management, 4 August: 25-26.

shippers- operating in or from New Zealand were disbarred from direct negotiation with any of the conference lines. The statutory body commenced its own negotiations with the shipping lines over the freight rates charged for meat and established a standing committee -the Allotments Committee- that determined the composition and timetables for the loading of all refrigerated cargoes.

The intervention by the Meat Producers' Board disrupted any chance of pooling. Farmers were guaranteed access to refrigerated shipping. Furthermore, the negotiations undertaken by the Board with the conference lines resulted in a series of rolling contracts in which the rates for freight were averaged.<sup>6</sup> That is, the freight rate -per tonne of cargo- was the same, regardless of whether the shipper was an individual farmer wanting to transport a single cargo or whether it was Vesteys wanting to transport the throughput from all its freezing works. Ten tonnes or ten thousand tonnes, the freight rate remained constant. The farmer who consigned meat, the agent, and the international agribusiness firm all paid the same per tonne for cargo and queued for shipping capacity on a first-come-first-served basis.

The use of averaging costs, therefore denying the larger shippers the chance to make any saving through economies of scale, and a system of queuing are classic tools of bureaucratic administration. Their use in favour of farmers required the legislative authority of an agency such as a government board but more significantly speaks to the politics of bureaucratic control utilised by farmers.

### **The Board as licensing agency.**

"...this Board will look with an unfriendly eye upon: (a) The purchase by overseas interests of any freezing works in New Zealand. (b) The acquiring of any interest in New Zealand freezing works by overseas interests. (c) The

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<sup>6</sup> Bull, J., 'Shipping meat through Meat Board', unknown, 24/9/79.

erection of new freezing works in New Zealand by overseas interests" (Hayward, 1972: 162).

In addition to its roles as inspector and commercial agent with regard to shipping, the Board also operated as a centralised licensing agent. What was to be central to the role of the Board as licensing agency was that its interventions to mediate the relationship between processors and their suppliers, farmers, was again in the interests of farmers. Much of the Board's intervention related to ensuring the intense competition for stock within the localised markets that constituted the procurement catchments of processing firms. Industrial licensing therefore was used by the Board not to secure the licensee (the processing firm) but to secure the suppliers of the licensee (the local farmers). In this respect, the licensing of processors reversed the more common 'franchising' arrangements pursued elsewhere in industry by states and licensing authorities. In the case of the export meat industry the granting of a license by the Board to any processing firm did not guarantee that business a throughput, nor did the license secure an exclusive catchment or territory for the firm in which to buy stock. Rather, the granting of a license by the Board permitted the processor only to make offers to local farmers for stock but always in competition with the other interests in the farming district.

The Board further intervened in the linkage of farmers and processors by the innovative use of the existing procedures of licensing established by the Slaughtering and Inspection Act (1900). The Act had instituted the requirement for a meat-export license to be held by all individuals and businesses wanting to engage in the export trade. These meat-export licenses were initially issued by the Ministry of Agriculture on the recommendation of the local borough councils. The pre-requisites for obtaining a license to engage in the export of meat were (1) that the potential license holder be of good character



and (2) that any premises they intended to use did not pose a hygiene or pollution risk to the surrounding community.

Under the Export Control Act (1923) the right to grant meat-export licenses was transferred to the new statutory body. The Board immediately began to use its power of industrial licensing to constrain the international agribusiness firms and to forestall closures of outlying and marginal processing plants. For example, the Board made it known to the North American firm, Armour, that should it succeed in acquiring a freezing works in New Zealand, any output from this freezing works would be denied a meat-export license. The Board's (very liberal) interpretation and application of the law effectively ended the attempt by Armour to buy freezing works in New Zealand. By the same mechanism in 1929 the Board placed restrictions on the output of the freezing works already owned by Vestey's and Borthwicks. These restrictions were not lifted until 1952 (Knightley, 1981; Harrison, 1963; Hayward, 1973).

The international agribusiness firms did a number of things in response to this intervention by the Board. They checked and then modified their move into New Zealand (Harrison, 1963: 105-122). Rather than buy the straitened local companies outright, the international agribusiness firms increasingly entered into long-term contracts with their financially troubled competitors. These deals secured the formerly independent freezing firms and also a number of the stock and stationers as sub-contractors of Borthwicks, Vestey's and Swifts.<sup>7</sup> For

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7 "(The firm) were stock and station agents. We used to draft about a million lambs and about twenty thousand cattle (yearly). Our operations used to extend from right up in the East Cape, down through Gisborne and Wairoa, right down to Pahiataua: virtually right down the East Coast. We were the largest stock and station firm on the East Coast. Far bigger than Wrighties (Wright Stevenson / Wrightson NMA) or Dalgety's (Dalgety Crown). We had a very big, very successful business. We used to draft these lambs and... when they went 'over the scales' (at the freezing works) all of these lambs were turned over to Vestey's. Everyone of them. ...Our clients (farmers) didn't

example, the Auckland Farmers' Freezing Company, the Gisborne Sheepfarmers' Freezing Company, the Hawkes Bay Farmers' Meat Company, the North Canterbury Sheepfarmers' Co-operative Freezing Company, the Patea Farmers' Freezing Company, the Southland Freezing Company, the South Otago Freezing Company and the Wairarapa Farmers' Co-operative Freezing Company all entered into sub-contracting agreements that meant that all or part of their throughput was sold to the international agribusiness firms (see appendix 1).

While the international agribusiness firms never came to own more than a third of the freezing works and the processing capacity in New Zealand, through these long-term contracts they came to control the bulk of exports. By the end of the Second World War about 80% of the exports from the North Island and about half the exports from the South Island were owned by such international agribusiness firms (Loach, 1969: 97). International agribusiness firms may have dominated exports, but they were prevented from any rationalisation of processing or procurement. They were required to secure their throughput by using deals and local actors that ensured the continued competition for stock in localised markets and, most significantly, good prices for local farmers. At the same time, the international agribusiness firms stepped up the use of holding companies to act as fronts for their investments in New Zealand. Thus, by the use of companies independent only in name, Vestey's attempted to disguise its holdings in New Zealand,<sup>8</sup> while Swifts gained

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know a thing about it. This was all done at the Producers' Board level. They didn't know. When they, the farmers, thought that their lambs were going to Hawkes Bay Farmers', they never thought that we were laying them off to Borthwicks. They always thought that we were marketing them." (interview, Manager #3).

<sup>8</sup> Thus, in New Zealand alone, Vestey's owned and fully integrated the operations of W. and R. Fletcher, Monarch Bacon Company Ltd, Wanganui Mild Cure Bacon Company Ltd, Union Cold Storage Company (NZ) Ltd, Patea Freezing Company Ltd, Amalgamated Products Ltd, New Zealand

ownership of the freezing works at Ocean Beach, Ngauranga and Wairoa through its hidden ownership of the firm of Sims and Company (McNulty, 1958; Loach, 1969).

What amounted to the final effort by international agribusiness firms to secure an absolute hold over processing and, what is more important, over the political deals in procuring stock occurred when Borthwicks instituted a major change to the organisation of the labour process in its freezing works. This transformation entailed the introduction of a variant of the assembly line into the slaughterboard of its freezing works in Canterbury. The transformation of work was carried out in the 1932-1933 killing season. Vesteys followed suit in its freezing works in the following killing season.

The throughput of any freezing works was -before the assembly line- directly related to the number of solo slaughtermen it employed. These highly skilled / craft workers were each responsible for killing and dismembering 100 beasts per day (Cammock and Inkson, 1984). When the Board decided to impose restrictions on the throughput at the freezing works then owned by Borthwicks and Vesteys, it did so by limiting the numbers of solo slaughtermen they might employ at these freezing works (see chapter 6). Thus, a reworking of the slaughter of stock and the dressing of carcasses was intended to by-pass the procedures of licensing used by the Meat Producers' Board. By eliminating the solo slaughtermen and replacing them with an assembly line the international agribusiness firms hoped to disrupt the allocation of licenses made using calculations about the productivity of its craft workforce.

This initiative on the part of the international agribusiness firms had only a minimal success. The rejoinder by the Board was to agitate to

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Stockfoods Ltd, Westfield Freezing Company Ltd, Auckland Meat Company Ltd. in New Zealand (*National Business Review*, 1 December 1980: 20).

Government for more extensive powers of licensing. The legislative retort to the transformations of work carried out in 1932-33 was quick in coming. First the Slaughtering and Inspection Amendment Act (1934) and then the Meat Act (1939) extended and belatedly formalised the authority of the Board to engage in the licensing of the networks in the industry. The two Acts greatly formalised the powers of the Board. The Slaughtering and Inspection Amendment Act (1934) officially removed the procedures of licensing from the recommendations of local authorities based on their decisions about hygiene and pollution issues. Instead the Meat Producers' Board was charged to now make its licensing decisions under the following rubric:

"(a) whether or not there is any economic necessity or justification for the proposed work; (b) the probable or possible effect of the proposed work if undertaken, on the ability of other licensees of meat- export slaughterhouses to obtain regular supplies of stock sufficient for the reasonable requirements of their business; (c) all such relevant matters as the Minister or the said Board thinks proper." (The Slaughtering and Inspection Amendment Act of 1934)

Furthermore, the Board was authorised to include clauses and constraints in its licenses in order to:

"(a) establish the maximum number of stock that may be slaughtered in a slaughterhouse during any period, (b) specify the maximum number of types of stock that can be slaughtered in a slaughterhouse during any period, (c) establish fines for non compliance and allow revocation of license, (d) approve extensions to existing slaughterhouses, including storage, freezing and cooling chambers, (e) approve the proposed construction of new slaughterhouses." (The Meat Act of 1939).

With the Acts of 1934 and 1939 in place the Meat Producers' Board was able to halt the advance of the international agribusiness firms and to ensure the diversity of processing regardless of any reworking of

the labour process in freezing works. Indeed, the purchase of existing firms and the construction of new freezing works by international agribusiness firms was to come to a complete halt. This cessation of takeovers and lack of new entrants (international agribusiness firms or local) was to last for nearly thirty years (Hartley, 1989). This hiatus was terminated not so much by the renewed advance of the international agribusiness firms, but by their piecemeal withdrawal. However, the new dynamic only became obvious with hindsight and culminated with the bankruptcy of Vestey's (1994).

### **The Board as guarantor of processing.**

"If you go back a step, we used to have what we called the 'open door' policy, in that anybody could demand to have their stock killed at any works. The door is closed now (sic). Totally appropriate. Why, if Fortex want to operate their own plants to their own specification, they don't want some twerp coming in the door and having their (the farmers') stock killed not in their specification. Well it was supposed to provide competition at the farm-gate." (interview, Director #3).<sup>9</sup>

The Meat Producers' Board, as inspector, as commercial agent and as licensing agency favoured farmers. It was, however, to further extend this pattern of control in ways that effectively made the agribusiness firms their agents. As I have noted above, the granting of a license to operate an export-slaughterhouse did not secure its owners a guaranteed throughput and neither did it define an exclusive catchment for the purchase of stock. A license merely allowed the licensee to make offers to local farmers. This method of licensing, a

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<sup>9</sup> This respondent was a member of the Meat Producers' Board and a long serving director in Federated Farmers. He was a relatively new, first generation, farmer. The respondent definitely presented himself as part of a movement of younger farmers that was highly critical of some of the existing arrangements in the industry. Rather than representing a cherished resource, the Board was presented as a cumbersome and potentially archaic institution. The Board was presented as a necessary evil.

bureaucratic tool, was used to maintain competition between processors in local markets. The competition was provoked by the fact that individual processing firms operated within more or less fixed catchments for buying stock. These catchment areas were delimited by the firm's spread of processing plants and by the distance a flock of sheep could be safely railed or trucked to slaughter (Department of Statistics, 1963). Under this licensing system, processing firms could therefore only ever hope to purchase stock from the localised markets within their catchments. Their problems as processors was further complicated by the fact that almost all the farming districts in New Zealand were encompassed by the overlapping catchments of several firms (see appendix 2). This spread of overlapping catchments within farming districts was cemented by licensing and allowed local farmers to be certain that whenever they offered stock for sale, and whatever the type of stock they were selling, there would almost certainly be a number of interested buyers. Local farmers therefore could compare offers for stock from competing firms and be judicious in their loyalty to local processors.

Further, the licensees of meat-export slaughterhouses were required by law to accept for slaughter all stock offered by farmers that were intended for export and to handle that stock on the farmers' behalf. Licensees were required to process stock intended for consignment or for co-operative marketing ventures. This exceptional demand on the holders of export licenses was called the policy of the 'open door':

"...the 1923 Meat Act was after that short sharp depression in the 1920s. The Massey Government were in then, they brought in this Act that virtually says any meat company in New Zealand must open their doors to any farmer who wants to kill their stock there and provide him with the marketing facility so that he can market that in the UK... That still exists today. For any meat. If I go along to CFM, I can say to them, look you have to kill my bloody lambs or kill my cattle for me. And they, they will refuse me. I know

that. But if you go into a big enough fight, you will eventually get it." (interview, Manager #10).

If the existence of local processing firms was guaranteed by the licensing system operated by the Board it was also the case that they had to make processing capacity available to farmers -at relatively short notice- even where it was intended by the licensees for the supply of its own marketing arm or to fill contracts for outside interests. Any individual farmer or any group of farmers (a group of farmers used the open door by combining their stock or 'pooling') was entitled to have their stock processed at their local freezing works without surrendering ownership. Furthermore, while all other enterprises required a license for the export of meat, that had to be obtained in advance of entering the international trade, farmers could consign on an individual or co-operative basis at short notice.

The enforcement of an open door policy constituted the extension of a version of the political deals made around consignment and provided a mechanism for the clearance of farmers' stock other than by the internalised exchanges of the integrated agribusiness firms. The practices of consignment had defended the autonomy of family farmers from the beginnings of the industry. However, the growth of the international agribusiness firms coupled with the long depression had posed a twin threat to the continuation of consignment. A number of the agents in Britain who had facilitated on-selling became bankrupt or were purchased -along with a large share of the cold stores and meat depots- by the integrated international agribusiness firms. At the same time, the purchase of local firms and/or their subordination as specialist sub-contractors by the international agribusiness firms eroded the complex division of labour in the sphere of processing that had enabled consignment.

Unlike the situation in Argentina, where agribusiness firms had achieved an oligopoly across processing, the ownership of processing capacity in New Zealand did not provide the international agribusiness firms with absolute control over the export product. By placing strictures on licensees, which privileged farmers, the Meat Producers' Board facilitated a revival of consignment and allowed farmers independent access to markets in Britain and ultimately a way to establishing their own firms.

### **The Board as the promoter of classification (of stock).**

The use of a 'schedule' for stock was another tool which the Board would use to privilege farmers. The development of the schedule in the years after the termination of the Bulk Purchase Agreement (1940-1954) represented a new method of buying and selling stock (Shadbolt, 1981). The schedule was implemented by processing firms when the return to the free market displaced the Second World War time rationing and pricing of stock, processing and meat by officials based in London and Wellington (Harrison, 1963; Reissner, 1990). The schedule outlined the prices offered by processing firms for stock. Versions of the schedule were published on a weekly (or more frequent) basis in most of the newspapers that were read in the farming districts around New Zealand.

The schedule was to become the most important mechanism by which processing firms purchased stock. It largely displaced the transacting for stock made on the hoof / per head and by the old style calculations made on the hook. The schedule combined elements of both mechanisms (Hartley, 1989: 24).

"The Schedule: The farmer is offered and accepts a price per kilo of dressed carcass weight for a particular grade and weight range. This price is offered by the... (processor) and is known before the stock leaves the



farm..." (New Zealand Freezing Companies Association, 1980: 6)

Transactions made per head / on the hoof were favoured by farmers because they resulted in a quick assessment of and payment for stock (negotiated on farm or at auction). The dispersal of stock through the variants of on the hoof / per head required the buyer/processor to carry all the risks of this spot market. Transactions made on the hook were preferred by processing firms because they allowed a thorough assessment of stock through the activities of industrial dis-assembly. That is, hidden deficiencies in stock could be revealed by the slaughter and dressing of animals and in the handling of by-products.

The schedule eliminated the risk posed to the buyer/processor in the deficiencies of stock (over-fat, over-lean, injured, diseased or old beasts) by paying farmers for the meat and by-products made available by slaughter and dressing rather than for the living beast. At the same time, the classification of stock by grade (mainly its fat cover) and weight and the allocation of prices per kilogram for each class, allowed farmers to accurately estimate the revenues from the sale of stock. Farmers also received a price per kilogram for slipewool, and an averaged price for pelts. No other by-products were paid for under the schedule.

Nevertheless, an evaluation of the carcasses that was made at the freezing works ultimately determined the price paid to farmers for stock. This assessment was made in conjunction with, and was verified by, the inspectors employed by the Meat Producers' Board and the Ministry (from 1964 all of the inspectors at freezing works were to become employees of the Ministry of Agriculture and Fisheries). Furthermore, the underpinnings of the schedule, in the establishment of the categories of grade and weight, were set only with the approval of the Meat Producers' Board.

The Board did not initiate the schedule but it monitored the schedule (this task and the need for data in its negotiation with Conference Lines being the *raison d'être* for the creation of its Economic Service in 1950). In cases where the statutory body felt that the classifications used by the schedule were too narrow and did not reflect the range of stock made available by farmers, it insisted on an amplification of the classifications. By these recurring changes to the schedule the Meat Producers' Board ensured that all stock made available by farmers would always be classified (Shadbolt, 1981).

"Meetings at weekly intervals throughout the year by the major exporting companies... review the schedule prices to be offered to the producer. The procedure by which this is achieved entails independent calculation of schedule values by each exporter (processor), these values are then compared and an operating schedule based on the majority view is proposed for the coming week... While it is quite permissible for individual companies to increase their buying schedules to compete for or to attempt to obtain additional quantities of stock, any reduction in the operating schedule cannot be obtained without a general consensus from the other major exporters." (New Zealand Freezing Companies Association, cited in Shadbolt, 1981: 8-9).

Turkington (1979: 2-3) suggests that the formulation of the schedule provided a forum for 'collusion' between agribusiness firms regarding the setting of prices and that farmers frequently bemoaned low prices for stock. The vociferous complaints by farmers is certainly a recurring feature of the industry. However, the surveillance of the Board minimised opportunity for any limitation in the competition for stock. Arguably, the schedule acted as yet another device that prevented the imposition of monopsony, because it facilitated the co-existence of relatively inefficient and efficient processors (McWilliams, 1994).<sup>10</sup>

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10 McWilliams, A. (1994), for the Boston Consulting Group, cited in Stewart, K., 'Freemarket follies', *NZ Listener*, 25/6/94.

The prices for stock offered by schedule was to become the benchmark for the price smoothing and subsidisation schemes administered by the Meat Producers' Board (Shadbolt, 1981: 14-16).

### **Conclusion: The shifting constraint of firms.**

The forms of farmers' control secured by the Meat Producers' Board entailed the imposition of constraints on meat processing firms. This disciplining of firms, and especially of international agribusiness firms, allowed the Board to extend and secure an outcome favourable to farmers as a disaggregated form of production. This process centred on the enforcement of multiple sites and diverse forms of ownership of the processing and export sectors. The Board's main bureaucratic 'tool' was the licensing of operations.

The codification and practice of industrial licensing was instrumental in checking the process of rationalisation as presented by international agribusiness firms. It must be recognised, however, that the dominance enjoyed by the international agribusiness firms in internalising the exchanges between farm-gates and Britain -which they achieved prior to the establishment of the Meat Producers' Board- delineated the effective amelioration by the statutory body of their ensuing threat. As a result, the interventions of the Board left ownership in the industry in private hands and left intact the capacity of international agribusiness firms to undertake the clearance of the bulk of export product.<sup>11</sup>

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<sup>11</sup> Further, the extent of the Board's far-reaching powers have been by no means fully utilised or tested. While the Dairy Board was to effectively nationalise its industry (Hill, 1974), the Meat Producers' Board was to be content to leave the bulk of day-to-day activities to the decision-making of businesses. "The most likely reason why guaranteed prices were applied to dairy produce (thereby nationalising the industry) and not meat and wool

The interventions of the Meat Producers' Board therefore revitalised and defended the diversity of mechanisms connecting farmers with the markets in Britain. While the interventions of the Board undoubtedly stymied the efforts of the international agribusiness firms to buy a controlling share of processing in New Zealand, they were nevertheless free to secure supply by other means as long as they did not threaten farmers with monopsony. Any added costs to the product (Critchell and Raymond, 1912) resulting from this form of agribusiness control were passed on to British consumers (Stevens, 1978; 1985). In this regard, the Board, in part, operated in lieu of the constellation of intermediary firms and political deals which had shaped the early industry. While the practices of consignment would never again account for more than a minor percentage of the export trade the retention of a multiplicity of paths into the markets in Britain nevertheless helped maximise the opportunities open to farmers.

From the point of view of farmers, the Board as an agency of control represented as significant a development as other agencies of control, such as multi-divisional firms and nationalised industries. These forms of control are more typical solutions for manufacturing and extractive industries in larger societies. The centrality of a Producers' Board of Control 'solution' to agriculture in a society organised primarily through the export of agricultural produce, should not however be marginalised when reviewing the different ways in which markets are organised (Katzenstein, 1985).

As a 'tool' for farmers the Meat Producers' Board developed a number of different ways of regulating markets in favour of farmers. These ranged from inspection and licensing to classification of the

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appears to be structural differences between the three industries." (Hill, 1974: v). McLauchlan (1981) also highlights differences in the structure of the meat, dairy and wool industries.

schedule and negotiating with shipping lines. These tools, also used by multi-divisional firms and nationalised industries, were in this case used to secure the effective reproduction of family farming. They also shaped the supply of processing plants in New Zealand and of markets in Britain. The latter were singular in their ability to consume all surplus production and export tonnages from New Zealand. Indeed, the issues associated with marketing proper, the difficulties of actively selling into saturated markets, and, in particular, the new forms of industry and of business that might then be required were to remain only a marginal concern until well after the Second World War. When the issues of active marketing (Cornish, 1995) did eventually arise they were to become central to the problems and responses of the Board and to attempts at a managed rationalisation of the industry.

## **Chapter 5**

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### **The Board, firms and access to markets.**

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#### **Introduction.**

“Policy is more than the sum of countervailing pressure from social groups. That pressure is mediated by an organisational dynamic that imprints its own image on the outcome. Because policy-making in the modern state is always a collective process, the configuration of the institutions that aggregate the opinions of individual contributors into a set of policies can have its own effect on policy outcomes.” (Hall, 1986: 19, cited in Smith, 1990: 225).

The introduction of industrial licensing by the Meat Producers' Board checked moves towards the cartelisation of both local processing and of the organisation of the export trade from New Zealand. The Board secured farmers' access to markets in Britain and in doing so blocked what the agribusiness firms- and especially the international agribusiness firms- had considered a drive for greater efficiency and rationality (Chandler, 1978, 1990; Critchell and Raymond, 1912; Sinclair, 1949). The passing of the Slaughtering and Inspection Amendment Act (1934) and the Meat Act (1939) continued the Board's project of preventing any radical reworking or rationalisation of the industry by international agribusiness firms. In short, the nefarious 'Meat Trust' (Portz, 1991; Smith, 1969) was kept at bay.

By linking farmers with agribusiness firms which dominated the international trade, but not processing, the Board acted as a broker on behalf of farmers. As the farmers' broker any concerns the Board had about efficiency and rationality in processing came a distant second to preserving the livelihoods of farmers. The Board cemented a

configuration of processing characterised by; overlapping catchment areas for the procurement of stock by processing companies, intense competition for stock across nearly all of the farming districts, and a total and regional processing capacity well in excess of that needed for the handling of stock (Evans, 1985). The even geographic dispersion of freezing works that resulted from these policies favoured the family farming unit. The consequences of this arrangement were to channel the dilemmas facing farmers in the export meat industry into problems for processing firms. This arrangement was in contrast to the portrayals in the literature on agribusiness, in which food processors (Burns, 1983) are presented as the leading edge of a global capitalist penetration of agriculture and/or the industrialisation of farming (Goodman, Sorj and Wilkinson, 1987; Leopold, 1985). The Board's controls over the export meat industry were part of its overriding desire to redistribute revenues to farmers by institutional arrangements (Hayward, 1972; Stephens, 1936c).

### **The marginality of local processing firms.**

The first problem in the processing sector related to the local agribusiness firms. The local firms were decidedly marginal to the form of farmers' control at first fostered by the Meat Producers' Board. This marginality reflected, in part, the greater difficulty in pursuing forward integration by the local agribusiness firms *vis a vis* those international agribusiness firms striving for backward integration. In particular, local firms faced extreme difficulties in securing a viable share of the activities of wholesaling.<sup>1</sup>

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<sup>1</sup> Only one New Zealand-owned enterprise operated as a genuine wholesaler in the markets in Britain. Thus, Towers and Company, owned meat depots and supplied butchers' shops throughout London and the Midlands. About two thirds of the frozen meat it distributed came from the freezing works of its owners the New Zealand Refrigerating Company, the Southland Frozen Meat Company and the Gear Meat Company. The balance of Towers operation was made up of Australian and Irish lamb, and Argentine beef. This throughput represented approximately 10% of all New Zealand meat exports in the years prior to 1970 (Loach, 1969; 167).

The Meat Producers' Board also acted to defend family farmers partially at the expense of local agribusiness firms. The readiness of the Board to constrain and modify a reworking of the industry by the international agribusiness firms was not immediately reflected in any concerted effort to advance New Zealand ownership in the activities off-shore. Local agribusiness firms were not integral to the Board's 'farmers' policy. Rather, the Board focused its activities on the exchanges involving farmers and processors with the aim of maximising the prices farmers received at the farm-gate for their stock.

The Board's position on international agribusiness firms was more complex. As broker for the farmers, the Board effectively sanctioned the dominance of the international agribusiness firms in the export trade of frozen meat to Britain. The Board merely ensured that the dominance enjoyed by these international agribusiness firms, in wholesaling in the markets in Britain, was not brought to bear against farmers in New Zealand. In this arrangement, farmers were provided with a low risk mechanism of sending very high volumes of export product into the markets in Britain.

As the acute threat of international agribusiness firms coming to control both processing and wholesaling subsided, from the mid 1930s on, the Board was to relax its opposition to foreign involvement in New Zealand. Thus, while purporting to oppose transfers in the ownership of freezing works, the Board did not prevent the establishment of the North American agribusiness firm Swifts and the Cooperative Wholesale Society in the late 1930s and 1940s. During this period Swifts bought out the plants at Ngauranga and Wairoa and acquired a half interest, with the Cooperative Wholesale Society, in Ocean Beach (see appendix 1). However, it must be noted that the Ngauranga and Ocean Beach plants were both marginal concerns that would probably have ceased operations without this international investment



(Turner, 1984; Walsh, 1983). In all, the Board was content for international agribusiness firms to clear the bulk of export product. Farmers sold the majority of their stock either directly to the international agribusiness firms or to the stock and stationers and processors sub-contracted by them.

Although the formation of the Board and much of its early interventions exploited a popular rhetoric of opposition to international agribusiness firms (Harrison, 1963; Hayward, 1972), the resolution of local versus international firms was always of secondary importance to advancing the localised and global interests of farmers (Steven, 1978, 1985; Walsh and Fougere, 1987). Roche (1992) makes passing comment about the important contribution of local firms to economic growth. However, the operation of these enterprises as 'local profit centres' was limited and constrained by the Board. All local firms - proprietary or co-operative- were doubly burdened. The restrictions intended to prevent any 'rationalisation' of stock procurement and of processing on the part of the international agribusiness firms were applied equally to local firms. As local firms they were simultaneously denied entry into the international wholesale market by the very same cartel of international agribusiness firms.

The marginality of local firms was pivotal to the political deals brokered the Meat Producers' Board with the international agribusiness firms. The local firms were more-or-less relegated to sub-contracted processing and only the largest of the 'other proprietaries' (Hereford, 1932) were able to secure forward integration. Thus, from the end of the Commandeer (1915-1920) until the purchase of Swifts (NZ) by the Waitaki company (in 1973), no more than twenty percent of the export trade was exported through the local agribusiness firms. From the point of view of farmers, the successful implementation of a second war time commandeer (the Bulk Purchase Agreement), to supply the markets in Britain during the Second World War, and

extended well into the 1950s (1940-1954), was to operate to dampen any calls for change.

It was only with the restructuring of international markets, in particular by Britain's entry into the European Community, after the termination of the Bulk Purchase Agreement, that this construction of the 'national interest' was finally disputed (Loach, 1969; McNulty, 1958) and actively challenged in the rise of the 'Waitaki company' (Perriam, 1989). Thereafter the division of labour between international agribusiness firms and local firms and their relative shares of procurement, processing and the export trade was to become an issue of debate, agitation and manoeuvring by firms, farmers and the Board (see chapter 7).<sup>2</sup>

### **The restructuring of overseas markets.**

The second problem in the processing sector related to the restructuring of overseas markets. The initial involvement by the Board in the industry was to guarantee access to farmers into the certain (Salais and Storper, 1992) wholesaling markets in Britain. The Board made this guarantee to farmers by a modification of their linkages with international agribusiness firms. When markets in Britain were restructured, following the Second World War, with them were the opportunities and threats posed by the international agribusiness firms to the livelihoods of farmers in New Zealand. The rationale of the Meat Producers' Board, however, to preserve the autonomy and prosperity

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2 Harrison (1963: 106) made the following comment about foreign versus domestic in his tribute to Thomas Borthwick and Sons:- "It is necessary here to explain the significance of the word 'overseas' -this for the benefit of those UK. readers who might think it is merely a geographical expression. If a visitor goes to New Zealand from the United Kingdom, he is certain of a warm welcome. New Zealanders have been described as more British than the British, and even New Zealanders of several generations' standing refer to Britain as the 'old country' or 'home'; but if a New Zealander or a New Zealand company wishes to arouse prejudice against British capital or a British concern he does not describe them as British. He describes them as 'overseas' or even 'foreign'."

of farmers remained unchanged in the new context of fragmented markets. The Board's Economic Service was clear about the British market:

"Our chief rival in the United Kingdom meat market is not Argentina, but the British Treasury, and our best course of action in the long run is to keep the United Kingdom well supplied with New Zealand meat, which will have the effect of demonstrating to the British taxpayer the high real cost of home-produced." (Economic Service, 1959: 15).

Nevertheless, the desire to retain particular markets is one thing the ability to achieve it is another. The Board was to be constantly preoccupied with the negotiation of its position in relation to this most crucial export market. At times it was to be very influential and at other times decidedly less so.

Throughout its first seventy years the export meat industry was given over, almost entirely, to the supply of the consumer markets in Britain with sheep meat (Mordue, 1983). The markets in Britain were the sole destination of exported chilled and frozen meat and almost all of this export produce was lamb or mutton (the only exception being several consecutive years in the mid 1930s when trial shipments of chilled beef were undertaken) (Economic Service, 1984). Historically the stability of markets in Britain was such that the 'right' of exporters in New Zealand to supply British consumers, unencumbered by quotas or tariffs, was only formalised as late as 1932, by the signing of the Ottawa Agreement (Reissner, 1990; Roche, 1992). Indeed, New Zealand's role as Britain's 'far-flung farm' (Hooper and Pratt, 1993) was, by and large, assumed to be the natural result of specialised advantage exercised on the global scale. In this regard, the manifest ability of family farmers in New Zealand to produce good quality, low cost sheep meat seemingly dovetailed with the demands of industrialised Britain. Put another way, the open access enjoyed by farmers in the export

meat industry was merely a component of the longstanding British policy of creating an 'open door' to the importation of cheap foodstuffs (Wilson, 1977).

Within Britain, however this open door policy did not go unopposed. British agriculture has a long history of lobbying by farming interests, and especially by the National Farmers Union. This lobbying resulted in the granting of subsidies to farmers by the British Government that were intended to boost farm production (Burns, 1983; Burns, McInerney, and Swinbank, 1983b; Smith, 1990; Steen, 1981; Wilson, 1977). The Economic Service of the Meat Producers' Board and the Wool Board noted, in one of their first annual publications, that the 'home production' for the markets in Britain was at a level almost two thirds of its requirements (Economic Service, 1958). The partial closure of the markets in Britain was to result from this upswing in farm production as much as the fact that the deals secured by New Zealand farming interests were disrupted by Britain's entry into the European Community.

A process of piecemeal limitation of the access of meat exports from New Zealand into the markets in Britain was begun in 1954 with the termination of the Bulk Purchase Agreement.<sup>3</sup> Following this the reorientation of British import and export policies in the lead up to its entry into the European Community resulted in the imposition of an incremental tariff on meat exported from New Zealand. This restriction of the markets in Britain culminated in 1980 with the imposition of a 10% tariff and a quota of 245,500 tonnes on all meats exported from New

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3 The United Kingdom was supplied during the Second World War under the arrangements of the Bulk Purchase Agreement. The bulk purchase was in many ways analogous to that of the earlier Commandeer. Prices were guaranteed by contract between the British and New Zealand governments and resulted in real prosperity for all farmers and firms that became involved in the trade. Whereas the Commandeer had been administered largely by the government officials, the Bulk Purchase Agreement made greater use of managers and staff seconded from the various meat firms (Harrison, 1963; Loach, 1969).

Zealand into the European Community (Garway Investments Limited, 1988: 12). Farmers, agribusiness firms and the Board were, consequently, confronted with the need for market diversification (see table 5.1).

Within the classification of sheep meats a distinction should be made between lamb and mutton. In the overseas markets, lamb has enjoyed a premium over that gained by mutton of around 50%-65%.<sup>4</sup> The volume of export mutton has remained fairly constant since the end of the Second World War -at around 70,000 to 80,000 tonnes- while the increase in the volume of export sheep meats came mainly from the export of frozen and chilled lamb.<sup>5</sup>

The markets in Britain, which usually paid the highest prices for all sheep meats, remained until entry into the EC, in 1966, the unchallenged destination for lamb. When EC quotas were imposed on all meats from New Zealand they were normally filled with lamb. Furthermore, the entry of Britain into the EC was partially off-set by the access of sheep meat into the new markets of Europe, with the exception of Eire and France where exports were to be, and remain, banned (Garway Investments Limited, 1988). The broader quota of 245,500 tonnes on all meats exported from New Zealand into the European Community was also normally filled by lamb. In the case of mutton the enforced search for markets was far more apparent in its

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4 Economic Service, 1956 - 1994, 'London wholesale prices', *passim*.

5 For more than a century the most profitable branch of sheep farming has been fat lamb production, while the production of mutton has been largely a function of seasonal culls of the sheep flock. The combined volumes of export sheepmeats was to grow only slowly through the 1950s and remained around 250,000 tonnes. They were to only exceeded 300,000 tonnes in the early 1960s, and then levelled-out at nearly 450,000 tonnes in the early 1970s. The volume of exports declined over the following decade before recovering to nearly 500,000 tonnes in the mid- 1980s. However, this upsurge mainly reflected a cull of the sheep flock unleashed by the termination of price support in the mid 1980s and it subsequently declined to about 400,000 tonnes or approximating the volume exported during the 1960s (Department of Statistics, 1990: 447, 1994: 351).

**Table 5.1: Destinations and market shares of meat classes.**

(market share over 2%).

Year.	Lamb.	%	Mutton.	%	Beef.	%
1959	UK	98	UK	83	USA Greece UK	82 04 03
1964	UK	94	Japan UK Greece Germany	46 32 06 04	USA UK W. Indies Pacific Italy Greece	56 20 04 03 02 02
1969	UK USA	89 02	Japan UK	71 22	USA Canada UK W. Indies Pacific	54 20 10 03 02
1974	UK USA Japan Greece	78 02 02 02	Japan Chile/Peru UK	42 03 03	USA Canada W. Indies Pacific	69 15 02 02
1979	UK Japan Greece USA Canada Germany	64 05 04 04 02 02	USSR Japan S. Korea UK	46 22 20 04	USA Canada	72 12
1984	Iran UK USSR Rest of EC Japan Saudi Arb.	35 29 10 07 03 02	Japan UK S. Korea Rest of EC USSR Canada	28 25 13 06 03 02	USA Canada Japan	74 09 03
1989	UK Rest of EC Iran Japan Saudi Arb.	31 18 17 05 02	USSR S. Korea Japan	29 21 10	USA Canada S. Korea	75 09 03
1993	UK Rest of EC PNG Saudi Arb. Japan USA	28 27 06 05 05 03	Rest of EC UK S. Korea Japan	29 27 20 03	USA Canada S. Korea Japan	62 14 05 04

Source: Economic Service, 1965: 16, 1970: 17, 1975: 17, 1980: 17, 1985: 24, 1990: 24, 1994: 29.

consequences. Japan became an important alternative market (although accruing a tariff of 25%), to be surpassed in later years by South Korea and a variety of largely one-off buyers. This example of market diversification itself stimulated or reinforced a form of product diversification in the export of beef. The main market in this case being the USA (see table 5.1).

Beef has enjoyed a premium over that gained by sheep meats of around 50%-75%.<sup>6</sup> The volumes of export beef enjoyed a steady climb after the Second World War exceeding 100,000 tonnes in the 1960s, 200,000 tonnes in the 1980s, and 300,000 tonnes in the 1990s. The steady climb in beef is in contrast with the fluctuations that marked the volumes of export sheep meats. Nevertheless meat, and especially beef, from New Zealand has also been subjected to restrictions in North America.

The quotas with Canada and USA are normally filled by beef. In 1968 both Australian and New Zealand meat exporters agreed to a 'voluntary restraint agreement' (VRA) with the USA. This established a quota on beef exported from Australia and New Zealand, of which the mix of Australasian exports were determined by the suppliers. The Board played a central role in consultations with Australian suppliers. During its first year New Zealand farmers were allocated 110,000 tonnes. The VRA also imposed a tariff of 2c / lb on beef, 2.2c / lb on mutton, .5c / lb on lamb and a duty of 4.55%. A similar VRA was agreed to with Canada in subsequent years. It imposed a tariff of 2c / lb on beef and .5c / lb on mutton. Both of the VRA's were increased so that New Zealand farmers received an 'in house' quota of around

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<sup>6</sup> Economic Service, 1984, and 1956 - 1995, 'London wholesale prices...', and 1962 - 1966, 'Prices of Manufacturing Beef in the United States', and 1967 - 1995, 'Prices for New Zealand Boneless Cow Beef in the United States', *passim*.

205,000 tonnes. This quota was expanded to all meats in the 1980s and 1990s.

### **Recasting the threat of the agribusiness firms.**

"There was a failure of the overseas owned firms, including Borthwicks which owned CFM. A lot of the overseas investment in New Zealand meat companies has been withdrawn. The Vesteys organisation has in fact withdrawn from New Zealand a fair chunk, mostly because of the problems they are having in their home operation." (interview, Manager #6).

The third problem area in the industry was that of large international agribusiness firms. This problem was related to the partial closure of the markets in Britain and had significant, albeit somewhat contradictory, impacts on the Board and on the forms of control it could guarantee for farmers. The problems unleashed by the partial closure of the British market and the subsequent search for new markets required the Board to undertake constant revisions of the costs and benefits associated with different linkages of production, processing and markets. What is most significant is that the restructuring of markets forced a reassessment of the need for the amelioration of the threat posed by the international agribusiness firms. This reassessment was to exemplify what Portz (1991) has called a 'search process'. While there was no capitulation by farmers and the Board to these integrated firms, there was certainly a greater appreciation of their capacity to access the increasingly problematic markets. In this regard, the trade-off between the threat of monopsony which they posed and the need to clear export product through international agribusiness firms was recast.

The difficulties in the markets in Britain initially served to heighten the importance of the international agribusiness firms. In this regard, 'commodity trading' emerged as a new nemesis of family farmers,



local and international agribusiness firms alike (interview, Supervisor #4). By commodity trading is meant the marketing of a generic product, in bulk, across an international and relatively anonymous market. Such commodity trading often clears the surfeits and surpluses of agricultural production in the global economy and typically generates very discounted prices to sellers. Insofar as the international agribusiness firms promised an alternative to this form of 'weak selling' (Hussey, 1992) the inherent threat that they also posed to farmers was down-played by the Board.

To the extent that the integration of wholesaling and processing by the agribusiness firms secured the clearance of export produce (Cornish, 1995), the Board was now to move to a position which was to allow a further slide of processing capacity into the hands of these firms. The issue facing the Board and the farmers it represented was the trade-off between the perceived costs and benefits to farmers from the contrasting strategies of backward and forward integration, as pursued by international and local firms. Insofar as international agribusiness firms became involved in New Zealand in order to secure the supply of already existing distributional outlets and markets they were potentially, and despite the threats involved, more attractive than any local firm.

The alternative to this change in position by the Board was to foster the advancement of local agribusiness firms. At the same time, the local agribusiness firms which had been marginalised and relegated to sub-contracted processing by the Board's policies of farmers' control found an added incentive in their diminishing margins to seek an involvement in the export trade. However, the relatively small and disaggregated character of local firms meant that much of this forward drive had to be played out across the sphere of processing. As a result, the attempts of local firms (farmers' firms and proprietary firms alike) to transcend their marginalisation necessarily repeated an

earlier agenda of rationalisation by the international agribusiness firms that had been thwarted by the Board.

An important component of the playing out of this new agenda by the local firms (most notably by the Waitaki company and somewhat after the event by the Fortex Group) was the displacement of the international agribusiness firms. What was at stake in this triangle of the international agribusiness firms, local firms and the Board? In the earlier period, the much vaunted threat posed by international agribusiness firms was, as I have documented, fairly rapidly transformed into an historic compromise of domination and subordination mediated by the Board. In the latter period, the same supposed stranglehold enjoyed by international agribusiness firms was, ultimately, used to justify a drive for forward integration by local firms (Loach, 1969; McNulty, 1958; Perriam, 1989).

The Board preferred to keep the issue open on these different possibilities. It can be seen in retrospect, however, that the qualified success of local agribusiness firms in the competition with international agribusiness firms and the eventual 'crowding out' of their rivals was predicated on the voluntary withdrawal of the latter from processing and the industry. Ironically, the strategy of the local firms was to centre on the replication of the size and integration achieved by the international agribusiness firms (see chapter 7).

### **Subsidising farmers.**

The fourth problem area was the declining rate of return and the political arrangements for price support and subsidised farming. Despite a considerable rhetoric lauding the benefits of market and product diversification and especially of 'adding value' (Hussey, 1992; Meat Industry Study and Trade Union Education Authority, 1988) there can be little doubt that the limitation of the markets in Britain, the

European Community, the USA and Canada placed farmers in an extremely difficult situation. The adverse developments in overseas markets were partly manifested as a long-run decline in the terms of trade (Department of Statistics, 1990: 610-611). After the termination of the Bulk Price Agreement in 1954, sheep and beef farmers never regained the high profits they benefited from in the early 1950s (Economic Service, 1956-1995). While there were fluctuations in farm incomes and after tax profits,<sup>7</sup> more recently, the per annum profits on these types of farms declined for every year from 1972, except 1974-1976, 1983 and 1989 (Alexander, 1990).

The central response by the Meat Producers' Board and the National Government to this decline in farm incomes was to augment the prices received by farmers for their stock. Such transfers of income began immediately following the termination of the Bulk Purchase Agreement. A 'floor price scheme' was instituted by the Meat Export Prices Act (1955) that established the setting of minimum prices and allowed deficiency payments in order to keep the industry 'afloat and functioning' (Department of Statistics, 1982: 970). The Economic Service commented that:

"It is hoped that with the provision of incentives -mostly of a financial and fiscal nature- and of the establishment of a 'climate of confidence' in the future of their industry, farmers will set out on a new round of development such as we saw in the 1950-57 period." (Economic Service, 1964: 4).

The floor price scheme was administered and funded by the Meat Producer' Board. Under the scheme, the Board established minimum prices for various classes and grades of stock at the beginning of each killing season. If farmers did not receive this price or better from

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7 "Because of the generally falling prices since 1964, and especially the decline in lamb and wool this year, the sheep farmer is caught by the cost-price squeeze in real earnest." (Economic Service, 1967: 6)

processing firms then deficiency payments were made. It only became possible for the Board to monitor the movement of prices paid for stock because an increasing number of them were bought and sold through 'the schedule' (Shadbolt, 1981).

The deficiency payments made by the Board extended the range of its activities into supporting the very constituency that elected it. The payments were funded from its Meat Industry Reserve Account (MIRA). These monies were, mainly, a surplus from the Bulk Purchase Agreement not yet dispersed to farmers, while the MIRA also received a share of the compulsory levy paid by farmers to the Board. The balance of the Meat Industry Reserve Account stood at about £40 million at the start of the floor price scheme. Approximately £320 000 was paid out in deficiency payments for stock -mainly beef cattle- in the following four years. The opening years of the next decade required heavy drawings from the MIRA. Deficiency payments of £935 000 were made on all grades of mutton and lamb in the 1959-1960 killing season. Even larger payments were made in the subsequent year, involving deficiency payments of £2.3 million on lamb and £100 000 on mutton. These payments represented the first depletion on MIRA from one balance day to the next. That is, it was the first time when the incomings to the MIRA -made up of the compulsory levy paid by farmers- was insufficient to meet the needs of the floor price scheme. The balance of the MIRA fell from £44.8 million at 30 September, 1961 to £43.5 million at 30 September, 1962. There were to be no further deficiency payment made until the 1970s. Yet, when it was again deemed necessary to implement price support the funds in the Reserve Account were deemed to be inadequate for that purpose (Department of Statistics, 1982: 970).

In 1975, despite the very significant handouts to farmers a Commission of Inquiry, the Farms Income Advisory Committee, recommended the enhancement of further price support. This price support was

introduced in addition to the payment to farmers of £45 million under various stock retention schemes (Ward, 1972), fertiliser and irrigation subsidies, low interest loans and substantial tax write-offs (Clove, 1989; Nolan, 1994; Yerex, 1992). The subsequent price smoothing scheme was effectively a revival of the floor price scheme. Although the proposed scheme was identified as merely a mechanism of 'price smoothing', the Economic Service was unequivocal of the need to enhance farm incomes:

"It should be again stated clearly, that in no way does the 'stabilisation' or smoothing of meat and wool prices to the farmer solve all farming problems or necessarily maintain adequate levels of income for the farmer. The level of these prices is still the critical factor." (Economic Service, 1976: 4).

The Board had used the existing floor price scheme in the 1974-1975 killing season, to improve prices, to the order of \$36 million. Where prices were particularly weak the Board also moved to purchase stock outright and arranged for their processing and export. In 1971, the Meat Export Control Amendment Act broadened the powers of the Meat Producers' Board to buy and sell sheep meats. Prior to this amendment the Board could only participate in the purchase and sale of sheep meat into countries where no market had previously existed or to expand markets. With the amendment the Board's powers were extended to make it able to buy any meat derived from sheep and export into any country. A similar amendment to the Act, by an Order-in-Council, in 1974, further extended the Board powers to buy and sell beef. Thereafter the Meat Producer's Board purchased beef and sheep on an increasing basis from the 1974-1975 killing season (Department of Statistics, 1987: 449).

However, even with \$10 million contributed by the Government in 1975 this type of intervention had seriously depleted the MIRA (Department of Statistics, 1982: 970). Such a level of direct price support could not

be funded for very long by the Meat Producers' Board if it was solely reliant on the MIRA. To solve this problem the Meat Export Prices Act became law in 1976. This Act established the Meat Industry Stabilisation Account (MISA) with the Reserve Bank. The MISA was funded by the Government and by levies paid by farmers. The Board was thereafter able to access it to administer the price smoothing scheme (Department of Statistics, 1988: 426).

In 1978 a second tier of price support was created by the implementation of the supplementary minimum prices scheme (SMPs). The SMPs operated in parallel to the price smoothing scheme. While the price smoothing scheme continued to be administered by the Meat Producers' Board, the SMPs were administered by the Ministry of Agriculture and Fisheries (MAF). The MAF established minimum prices separately to those of the Board. Payments to farmers were made depending on the state of the market for stock and on which scheme had the lower minimum prices. The supplementary minimum prices scheme was funded exclusively by the Government. The SMPs were intended to:

"Provide for farmers reasonable requirements for living expenses; farm operating expenditure, and new developments, more adequately than would minimum prices likely to be set under existing arrangements." (Department of Statistics: 1982: 971).

From the beginning of the 1981-1982 killing season until the end of the 1984 -1985 killing season more than a billion dollars was paid out in SMPs to farmers. However, the mounting costs of farm subsidies (McLean, 1978) and a sea change in the Government policy promoted by farmers (Garway Investments Limited, 1988; Hartley, 1989; Le Heron, 1988b, 1988c; Le Heron, Roche and Anderson, 1989; Perry, 1992; Yerex, 1992) led it to terminate the supplementary minimum prices scheme and to scrap the Meat Industry Stabilisation Account at

the beginning of the 1984-1985 killing season (Britton and Le Heron, 1986). As an interim arrangement, a lump-sum payment of \$131.8 million was made to the Board (Department of Statistics, 1987: 452). After that killing season the prices received by farmers for their stock was not supported by the Board.

While the Meat Producers' Board retained the right to implement further price support schemes it undoubtedly lacked the financial resources to do so. Furthermore, the effects of farm subsidies were decidedly contradictory. The problems with farm subsidisation and its negative consequences for marketing was recognised well before the termination of SMPs. Thus, McLean (1978) noted that by the late- 1970s the point of diminishing marginal returns from increased volumes had been exceeded.

Precisely at the juncture when overseas markets were demonstrating a diminished capacity to clear meat exports -at least while returning reasonable prices- the various price support schemes and other forms of subsidisation stimulated a massive increase in the overall numbers of stock and the numbers sent to export slaughterhouses. The growth in volumes of farm production and of processing consequently greatly expanded the volume of export produce. Table 5.2 demonstrates this significant increase in stock numbers and in export slaughtering.

**Table 5.2: Stock numbers and export slaughtering.**

Year	Sheep / Slaughtering (000)	Cattle /Slaughtering. (000)
1950	32,845 / 15,020	2,088 / 494
1960	47,134 / 21,587	3,334 / 570
1970	60,274 / 31,288	5,280 / 2,564
1980	68,772 / 32,677	5,162 / 2,358
1985	67,854 / 47,546	4,613 / 2,315
1990	57,852 / 29,413	4,593 / 2,256
1994	50,298 / 29,826	4,811 / 2,690

Source: Economic Service, 1976:11, 24, 1994: 19, 25.

The increase in the numbers of stock and export slaughterings was most obvious in the sheep flock. The numbers of beef cattle and slaughterings remained fairly constant following its rapid growth in the 1960s. However, the ability of beef farmers to utilise some breeds of bovines for either the production of meat or milk casts considerable doubt on the 'accuracy' of these records. Furthermore, if the price for veal or manufacturing grade beef is relatively high or the pay-outs on milk fats are relatively low, dairy farmers are always able send part of their dairy herds to slaughter. What is very obvious is the close correlation between farm subsidies and volumes of sheep production and processing. Thus, sheep numbers peaked at around 68 million in the final year of price support and fell away drastically thereafter, thereby stimulating a brief -but very large- upturn in the volumes processed and exported. Currently (in 1995) there are now about 50 million head in the sheep flock, and around 29 million lambs and ewes are annually sent to export slaughterhouses. This level of stocking and processing is comparable to that found in the early 1960s.

### **Delicensing.**

The problem areas already discussed -the marginality of local firms, the restructuring of markets, the new problematic relationship with international agribusiness firms, and price support- were to lead to a fifth and distinct problem area, that of delicensing. Turkington has argued that:

"Producer licenses usually limit competition and the meat industry is no exception to this rule. The motive underlying its licensing appear to be two fold: to ensure an acceptable standard of meat export facilities and to protect companies already operating in the industry." (Turkington, 1979: 1).



While Turkington's comment may be seen to have misconstrued the intentions of industrial licensing they formed part of the milieu in which the Meat Producers' Board eventually withdrew from the licensing and inspection of export slaughterhouses. This withdrawal at first involved only the transfer of the administrative responsibility for the licensing and inspection of export slaughterhouses to a greatly expanded department of government, the Ministry of Agriculture and Fisheries (Meat Division). This transfer was achieved by amendments to the Meat Act (1939) and culminated in the passing of the Meat Act (1964). The Act made the administration of the licensing of export slaughterhouses (initially the responsibility of the Board) the responsibility of MAF. An Order-in-Council, the Meat Regulations (1969), also made the inspection of export slaughterhouses the responsibility of MAF (McNab, 1974). Thus, any applications for licences, were initially directed to the Minister of Agriculture, although the department and its Minister were still required to act on any recommendation of the Meat Producers' Board.

In 1976 these moves to restructure the place of processors in the representative structure of the industry were further advanced by the Meat Amendment Act. This Act established yet another agency, the Meat Industry Authority (MIA) (Savage, 1990: 62). This new agency, the jurisdiction of which overlapped the Board, consisted of four members who were appointed by the Minister of Agriculture: a chairman, a representative of the Meat Producers' Board, a representative of the NZ Freezing Companies Association, and a representative of the employees in the industry (which was never filled). The new agency was made responsible for: (1) the development of efficient and economic slaughtering, processing, chilling, freezing, and storage facilities for the NZ meat industry; (2) the investigation and review of justification or economic need for the establishment and extension of (above) facilities; (3) the investigation and review of the justification or economic need for the existing

(above) facilities; (4) to be a licensing authority; (5) to report to the Minister of Agriculture and Fisheries (on the above); (6) to recommend to the Minister for consideration by the Government changes to be made in the ownership, organisation, operation, and financial arrangements of the meat slaughtering, processing, and freezing industries, where such changes may be desirable to effect more efficient and economic industries; and (7) the MIA was required to implement the policy of the Government.

Savage (1990) notes that the Meat Industry Authority (MIA) was very important in the withdrawal of the Board from industrial licensing. Although the Meat Producers' Board retained considerable influence on the MIA, the longstanding requirement for the Minister of Agriculture to act on the recommendation of the Board was ended by the Meat Amendment Act (1976). Insofar, as the Ministry appointed the MIA, this act finally transferred the executive, or decision-making, responsibility about the licensing of processing plants to the Minister and MAF and must be considered, then, to be at least a symbolic marker in the changed relations of the industry (Bartley, 1987).

The new role of the Ministry of Agriculture and Fisheries in the licensing of export slaughterhouses was however to be downgraded soon after. A subsequent rewriting of the Act removed the consideration of the impacts on the character of processing in granting of licenses for new or enlarged export slaughterhouses. The deliberation of 'economic necessity or justification' and the 'probable or possible effect of the proposed freezing works' were removed from the ambit of the Ministry. Thereafter export slaughterhouses were licensed on the basis of whether or not they had adequate and hygienic facilities and acceptable methods of effluent treatment (Savage, 1990).

The Meat Act (1981) is often identified as another watershed, or symbolic marker, in the recent history of the export industry (Hartley,

1989; Le Heron, 1988b; Nolan, 1994). Delicensing is portrayed as symptomatic of the diversification and decline of agriculture, of the erosion of the socio-political importance of farmers (Font, 1990; Lawrence, 1990; Lawrence, Share and Campbell, 1992), and the autonomy enjoyed by the Board (Bartley, 1987). In this regard, it is crucial to identify the essentially voluntary abdication of responsibility for the licensing of export slaughterhouses by the Meat Producers' Board, and the importance of the statutory powers it retains. While the Board ceased to play a role in the licensing of export slaughterhouses, it did so precisely at the juncture when the costs to farmers from the existing dispersion of processing plants and resultant over-capacities (Evans, 1985) began to exceed its benefits. In turn, delicensing has led to a more pro-active role for the Board in rationalising the processing sector. To this end, the Board was to move more directly into marketing and to carry this through established its own investment firm, Freesia Meats in 1985.

### **Managed rationalisation and Freesia Meats.**

The transformation in the character of overseas markets, the loss of control by the Board in this global sphere, and the subsequent responses and attempts at a reworking of the form of farmers' control exercised by the Board were especially obvious in the sphere of local processing. From a position in which the Board had exercised its powers of licensing to oppose rationalisation, the Board was to move towards an agenda of managed rationalisation (coupled with a rhetoric of farmers' ownership).

A report produced by Garway Investments Limited articulated the Board's new position:

"The most effective means processors have within their control to restructure and survive is to reduce the fixed costs of operation through the closure of works. Closures

of current facilities to fully equate capacity with the level of throughputs in 1988 are estimated as follows:

	<u>Required Works Closures.</u>
North Island	9
South Island	6
<u>New Zealand</u>	<u>15</u>

This represents a closure of 46 out of a total of 155 sheep and beef chains." (Garway Investments Limited. 1988: 2).

With this change, the Board came to invest heavily in the processing sector (see chapter 7). This change in Board policy was in line with the banks, the most significant backers of the processors in the industry. From the mid-1970s business interests and the banks began to urge the closure of the oldest freezing works and the amalgamation of agribusiness firms (Crocombe, 1991; Crocombe, Enright and Porter, 1991; Evans, 1985; Garway Investments Limited, 1988; Hussey, 1992; McKinsey, 1988; McLean, 1978; Turkington, 1979; Woods, 1988; Yerex, 1989, 1992). The positions of these interests constituted a new agenda for the 'rationalisation' of the networks in the export meat industry. It included two proposals: (1) that only large firms could be trusted to properly access the overseas markets, and (2) that a significant share of the processing sector should be closed-down in order to eliminate excess capacity (Le Heron, Roche and Anderson, 1989). Certainly, there can be little doubt that the aging and under-utilised freezing works (Hartley, 1989) checked any innovation in work practices and compliance with the ever more stringent 'hygiene regulations' imposed by the European Community (Meat Industry Study and Trade Union Education Authority, 1988: 20-23).

In many ways this programme of rationalisation merely recycled the one threatened earlier by the international agribusiness firms and then forestalled by the Board. However, while this agenda of rationalisation was initially pursued by the agents of big business and was, in part,

merely advancing the interests of very large corporations,<sup>8</sup> by the time of 'delicensing' the Board had discovered the utility of widespread closures in processing. This change in orientation of the Board arose because of the acute problem with under utilisation that Board policy had promoted. This problem was exacerbated by industrial unrest (see chapter 6) and a sharp decline in stock and slaughterings in the late 1980s. The significant increase in export slaughterings stimulated by the end of SMPs was only a short-term phenomenon. While it provided a temporary boost to processing firms -or at least kept them busier than usual as farmers culled unwanted stock- the over capacity in processing needed urgent redress (Evans, 1985). Only five freezing works had been closed permanently in the years between the formalisation of industrial licensing and prior to 1985 (Shields, 1982) (see table 5.3).

**Table 5.3: Plant closures, 1934-1985.**

Year	Firm	Works
1974	Swifts	Ngahauranga
1979	Gear	Petone
1981	AFFCo	Southdown
1982	Waitaki-NZR	Picton
1982	Vesteys	Patea

The decades of industrial licensing and the intense competition between processing firms that it engendered had also cemented an operational logic whereby processing firms regarded freezing works as sunk costs and operated them accordingly. That is, where any freezing works even approximated a point of breaking-even in its operation through the killing season, then its owners were typically

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8 The critique of the role of Boards in export oriented agriculture culminated with the 'Porter Project' (Crocombe, 1991; Crocombe, Enright and Porter, 1991), sponsored by the Labour Government and the 'Hussey Report' (Hussey, 1992), sponsored by the Business Roundtable. The clearest rejoinder in defence of the Boards, to date, has been by McWilliams, A., for the Boston Consulting Group, cited in Stewart, K., 'Freemarket follies', *NZ Listener*, 25/6/94; and by Steele (1995).

hesitant to close it. In this regard, the over-capacity found in the processing sector, the interpenetration of catchments for buying stock, and the limited stock available for slaughter each killing season combined with the result that any down-sizing of processing capacity by one firm would immediately benefit its competitors. As a result, although the overseas markets displayed increased uncertainty, the focus of the processing sector remained squarely on capturing throughput. In addition, the generous redundancy agreements secured by the Meatworkers' Unions also added to the costs of freezing works closures (Turkington, 1979).

"In 1985, it was free, open, competition starting again. The Roger Douglas (Minister of Finance) theories were coming in, and predators, and so the Meat Board in those days had a Meat Industry Reserve Account, or MIRA as it was called, and there was \$230 million in that. When the product went back to the companies there was a long negotiation with Douglas. He wanted to keep all the money... because there had been a loss of nearly a billion. In the end he recognised that it was a Government scheme that we administered (SMPs). But he did keep \$100 million of the money and \$130 million came back to the Board on the understanding that 70% of it went into a commercial organisation. That is where Freesia was born." (interview, Director #2).<sup>9</sup>

The Board identified the direct involvement in the ownership of local firms as a means of securing change and of both consolidating firms and down-sizing processing capacity. To this end, the Board delegated the bulk of the balance of the Meat Industry Stabilisation Account -of approximately \$80 million dollars- to an investment

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9 This respondent was a very senior and long serving member of the Meat Producers' Board. In his tenure with the Board he had been privy to most of the decisions to reshape and re-orient the statutory body. The respondent presented himself as, in part, trying to bridge a gulf between the old and the emergent forms of intervention. Perhaps because of his centrality in decision-making the respondent presented the most grounded account of the Board in which it was presented neither as a panacea nor as a bogey. The respondent was a farmer, although he bemoaned that for the last fifteen years his commitment to the Board and associated bodies had made him into a part time farmer.

company formed in late 1985 and wholly owned by it. This investment arm of the Board, as I have already noted above, was called Freesia Meats.

While the control over the licensing of export slaughterhouses by the Meat Producers' Board had been first-and-foremost concerned with preventing the closure of freezing works and the exit from the processing sector of a range of small and otherwise highly vulnerable firms, the establishment of Freesia Meats by the Board had the opposite intention. Thus, the formation of Freesia Meats constituted a break with fifty years of industrial licensing and practice wherein overlapping catchments were forced on processing firms.

The formation of Freesia Meats pushed the Board towards direct intervention in processing. The establishment of Freesia Meats was to facilitate a rationalisation of the industry, and, what is most important, to down-size the processing sector. In order to offset criticism that this agenda was inimical to the interests of farmers, Freesia Meats stated its commitment to farmers owning the processing sector. However this objective was not actively pursued until the demise of Waitaki International (see chapter 7). The investment arm of the Meat Producers' Board was to become involved with incumbent firms, and chiefly in the Waitaki company, mainly to shut down old freezing works or, less often, to prepare them for the co-operatives. Thus, Freesia Meats purchased shares in and, like the banks, made loans to agribusiness firms to facilitate the closure of freezing works and, less often, the transfer of ownership to co-operatives. At the same time, Freesia Meats tried to facilitate the exchange of freezing works to allow processing firms more defined areas of stock procurement. To this end, the Board was willing to write down its investment in a processing firm in exchange for the elimination of its unwanted processing capacity. For example, Freesia Meats provided AFFCo with a loan of \$19 million to compensate for its closure of the old Shortland

freezing works (1985),<sup>10</sup> and has written down \$58 million of its investment in Waitaki International, Garway Investments Limited and the co-operative Alliance Freezing Company.<sup>11</sup>

The contribution of Freesia Meats and direct intervention by the Meat Producers' Board to a rationalisation of the processing sector can be measured by its direct involvement in the closure of eleven freezing works (see table 5.4) and a greater number of other partial closures (Le Heron, 1988b).<sup>12</sup>

**Table 5.4. Selected plant closures, 1985-1993.**

Year	Firm	Plant.
1985	AFFCo	Shortland
1987	Waitaki /Richmonds /Vesteys	Whakatu
1988	Waitaki /Fletchers	Burnside
1988	Waitaki /Fletchers	Islington
1989	Waitaki /Fletchers	Dunedin
1989	AFFCo	Waingawa
1990	AFFCo	Longburn
1991	Alliance	Ocean Beach
1991	Alliance	Kalapoi
1991	AFFCo	Feilding
1993	AFFCo	Horotiu

Freesia Meats also obtained a strategic share in some of the leading local firms, including AFFCo, Alliance, Waitaki International, Richmond and the Fortex Group. Such shareholding was primarily intended to further 'collective agreements' mediated by Freesia Meats to shut-down parts or all of old freezing works (Savage, 1990: 71-75). Evans (1985) estimated a reduction of existing processing facilities by 40%, and Garway Investments Limited (1988) of around 60%, was required to balance processing capacity with throughput. In short, the Board, through its investment arm Freesia Meats, played a part in the

10 'Company clout may shut works', *Christchurch Star*, 5/3/88.

11 'Meat Board in loss with Freesia write downs', *Christchurch Press*, 29/2/92.

12 Knight, S., 'Predators circle farmer co-ops', *NBR Weekly*, 7/9/90.



elimination of about a third of the overall processing capacity that existed at the time of its formation, within the sphere of lamb and mutton processing. However, in doing so, the Board expended about \$100 million dollars from its coffers.

Ironically, however, while Freesia Meats was frantically seeking a reduction in processing capacity, and was consequently doing deals with incumbent firms, the movement into the industry of a host 'new entrants' (Hartley, 1989) went largely unchecked. More than a dozen enterprises -including three corporate giants- entered (and exited) the industry in the years since delicensing and most of these did so during the lifetime of Freesia Meats. Their entry had been promoted by the delicensing procedures in the Meat Act (1981).

Most new entrants also introduced new facilities into the processing sector. In a number of cases, existing abattoirs or previously closed freezing works were licensed as export slaughterhouses (see appendices 1 and 2). Elsewhere, entirely new facilities were built. The bulk of these new facilities were configured for the processing of beef, nevertheless, modern plants like those built by the Fortex Group at Seafield (now Phoenix Meats) and Silverstream (now PPCS) more than compensated for any closures secured by Freesia Meats.

This influx of new firms and the construction of modern processing plants was diametrically opposed to the programme of consolidation and closures being pursued by the Board. The proliferation of new firms and new processing capacity calls into doubt the *raison d'être* for Freesia Meats and certainly the viability of investing in plant closures. For example, the high (and arguably unnecessary) costs to the Board and Freesia Meats, the co-operatives and farmers in general, of investing directly in the closure of freezing works is underscored by the collapse of Vesteys in 1994 (see table 5.5).

**Table 5.5: Selected plant closures, 1988-1994.**

Year	Firm	Works
1988	Vesteys	Westfield
1994	Vesteys	Tomoana
1994	Vesteys	Kaiti
1994	Vesteys	Awapuni
1994	Vesteys	Cambridge
1994	Vesteys	Feilding
1994	Vesteys	Whangarei

Vesteys had garnered a reputation in the industry of investing in its freezing works only the minimum required for the purposes of export licensing. Its Westfield (built 1916), Tomoana (built 1882), Kaiti (built 1902), and Feilding (built 1916) freezing works were some of the oldest in the industry and the elimination of these facilities fitted precisely the programme of Freesia Meats (Hartley, 1989). But, it was the pressures from intensified competition in stock procurement, processing and declines in its off-shore operations which forced the closure of the entire Vesteys operation in New Zealand. In other words, these closures occurred without any intervention by the Board/Freesia Meats. In this regard, the main criticism that was to be levelled at Freesia Meats, by farmers and agribusiness alike, was that by investing in the incumbent firms it actually forestalled and ameliorated crises when it would have been better served by allowing the cycles of boom and bust to be played out.<sup>13</sup>

It is sufficient to note that, after substantial investment from the Board/Freesia Meats the collapse of Waitaki International and its 'sale' to the co-operatives (in 1990), criticism of the Board intensified sharply from all quarters (see chapter 7). Thereafter, legislative amendments, firstly, eliminated the Electoral College in favour of the direct election of farmers' representatives to the Board (in 1994) and, secondly, expanded the composition of the Board to include on it a minority of

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<sup>13</sup> Riddell, O., 'Commission approves Weddel proposal', *Christchurch Press*, 3/2/1995.

representatives from agribusiness firms (in 1995). The latter development saw the significant removal of the term 'Producers' from the name of the Board. It was renamed as the Meat Board of New Zealand.

This reconstitution of the Board can be viewed as an unfolding of a form of corporatism. However, the contention by Bartley (1987) that recent changes in the Board's policies express the process of marginalisation of farmers seems somewhat premature (Wallace and Lattimore, 1987; Nolan, 1994). Furthermore, his argument about the survival of the Board as a mere intermediary or arbiter of sectional interests are decidedly overstated (Coulomb and Delorme, 1989).<sup>14</sup> In this regard, it is very important to note that the recent legislative amendments were not imposed on the Board in so much as they were negotiated by its members (Weir, 1992). As one senior member of Federated Farmers and the Board commented:

"I think there is a definite role for a Producers' Board, but it isn't what they have been doing. It is a 1990s and 2000s role." (interview, Director #3).

This new role for the Board relates to marketing and to the use of franchises in overseas markets.

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14 "... it has been argued in this thesis that Government established the Meat Board in 1922 as a corporate interest group, favouring it with statutory powers to regulate the whole of the meat industry, particularly meat companies which were viewed suspiciously by farmers. While initially these powers were free of direct Government influence (with the exception of World War 2), this changed as the political influence of producers declined relative to other sectors. Governments became increasingly reluctant to give producers unconditional favoured treatment. Although the Board remained the central institution in the industry, it was required to adopt the role of a semi-governmental body adjudicating between the various interests in the industry, including meat companies, before formulating policy on behalf of the industry." (Bartley, 1987: 126).

### **Single selling and franchising the market.**

"Intervention of this type by the board involves not only setting the schedule but also arranging for the marketing overseas of the various products on their own account." (Department of Statistics, 1988: 425).

"In 1982 we decided that Japan, especially, was being used as a sort of disposal market. Some of the product that was going there was disgraceful really. When I say disgraceful, it was fatty, and they just hate fat. So we declared North Asia a development market, which means that only one operator goes in to sell all the product. Everyone can supply it, but it goes through a central outlet." (interview, Director #2).

Like all the rest of its responses to the new and uncertain environment, the Board sponsored and then tried to subordinate associations of agribusiness firms. In 1966 the Market Development Committee (MDC) was established by the Board with the aim of encouraging the diversification of markets. This move into direct involvement with marketing operated by setting marketing targets for meat exporters. These targets were calculated in terms of the percentage of exports into markets outside of Britain. Those individual exporters that did not meet the target paid a levy, while those individual exporters that did exceed the target received a bonus. The directorate of the MDC was drawn from officials of the Board and of various processing companies. This programme was suspended in the 1980-1981 killing season because the actual diversification of exports (of 48.8% outside the markets in Britain) had far exceeded the marketing target established the previous year (of 34% outside the markets in Britain) (Department of Statistics, 1987: 449).

In fact the Market Development Committee played only a minor role in the diversification of marketing. The main strategy for diversification and the control of marketing was to involve the creation of a series of franchise arrangements. This was to involve a much greater degree of active involvement of the Board in coordinating markets. Processing

companies secured franchises from the Board through the granting of meat export licenses. These licenses stipulated the supply of specific markets with specific products. In addition the Board also established a number of marketing companies to co-ordinate the supply of particular markets. These companies were owned by the Board and the holders of export licenses for that market. They were to operate in monopoly conditions.

In 1960 the Meat Export Development Company (DEVCO) was established to oversee the market for lamb in the USA and Canada. All lamb sales into these North American markets were controlled by Devco whose directorate was also drawn from officials of the Board and various processing companies. Similar marketing companies were established for the supply of Japan (Janmark) and other Asian markets (ANZCO, later renamed the New Zealand Lamb Company) (Department of Statistics, 1987: 449). International agribusiness firms were initially granted a disproportionate share of export licenses into the new markets. Senior managers from Borthwicks and Vestey's played an important part in Devco, Janmark and Anzco and consequently in the development of the Asian and North American markets.

These connections between the Board and firms were to develop more systematically through a series of 'councils'. In 1971 the Meat Exporters' Council (MEC) was formed. This council represented all the companies holding meat export licenses and acted to advise the Board on the co-ordination of marketing. However, the MEC was disbanded in 1982 when, in response to a glut of unsold meat in Britain, the Board assumed ownership and responsibility for marketing. In 1985 the ownership of exports was returned by the Board to meat export license holders and the Meat Planning Council (MPC) was formed to continue the involvement of firms in decision making over marketing. A director of the Board noted what the MPC was saying to the industry:

"You will be part of setting the criteria for the licences and you will be part of the process of auditing to see how well the companies 'A' 'B' and 'C' are performing. You tell us, because you know best. You are in the market place. You tell us how they are performing, and bring it back to the Meat Planning Council. And, if they are not performing, well, we will take their license away... In the end it probably has to be the Meat Board that actually does take the licence away, because if you had a group of companies taking another company's license away obviously they would scream blue murder and say they are being victimised. So you need an intermediary." (Interview, Director #3).

In 1993 the Meat Producers' Board and the Meat Planning Council prefigured the formalisation and codification of franchising deals when they proposed the creation of quotas for specific markets. They proposed to parcel out the 200,000 tonnes of lamb available for the EC and the 192,800 tonnes of beef available for the USA to individual firms. The initial share of the EC or USA market allocated to individual firms was to be based on the historic contribution of each firm. The individual firms could then choose to fill the quota or to sell all or part of it to a competitor.<sup>15</sup>

Such a reworking of franchising appealed to most of the incumbent firms in the industry because the supply quotas would constitute for them a new and tradeable asset, whereas the opposition from new firms -with no history of supplying the export markets- was vociferous. The 'new entrants' (Hartley, 1989) argued that they would be excluded from the networks in the industry because the expense of buying a supply quota would add significantly to the costs of starting-up a business. Their complaints coupled with doubts from Federated Farmers were to stymie the proposal to rework franchising.

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15 Kitchin, E. 'Outrage could stall meat quota proposal', *Dominion Sunday Times*, 5/9/93; Portanger, E. 'Banks back meat quota proposal', *National Business Review*, 13/8/93, 'Meat quota plan scraps new Japanese Venture', *National Business Review*, 13/8/93.

Nevertheless, the Meat Producers' Board retained its statutory power to designate any overseas market as a 'special access market' and to determine the mix of firms that export there (Hussey, 1992; Meat Industry Study and Trade Union Education Authority, 1988). A director observed that:

"I don't think the Board is going to give that (power) away very quickly, because in the end it is the only real power that they have." (interview, Director #3).

In other words, a *de facto* form of supply quota pertained, based on the continued authority of the Board to withdraw the right of entry by any agribusiness firm to export markets. This defacto system applied to the most important new markets for meat, in the Middle East, Mexico, Japan, Taiwan, South Korea, the former USSR, and the USA and Canada.

### **Conclusion: The changing character of the Meat Board.**

The extent to which the Board disciplined agribusiness firms ebbed and flowed in the seventy years since its formation. At first the Board operated to stabilise a multiplicity of plants and agribusiness firms in the processing sector. The Board also cemented a pronounced form of marginality on local firms. This form of farmers' control prevailed for long as international agribusiness firms secured the markets in Britain (Cornish, 1995) and could be prevented from establishing monopsony in localised markets for stock. Its rationale was found in the reworking of a form of wholesaling in the interests of farmers.

Shifting circumstances and the shifting policies by the Board were to lead it to dispense with some aspects of its authority to license operations, while it simultaneously moved to: (1) administer and partially fund the subsidisation of farming; (2) foster a form of

managed rationalisation in processing (thereby reversing its previous opposition); and to (3) use the licensing of meat exports to impose fresh disciplines on agribusiness firms. Overall, the focus of the Board shifted from the prevention of monopsony in the localised markets for stock in the farming districts of New Zealand to being active in marketing. The main thrust of its interventions in order to control the market can be understood as attempts to franchise the market (Dickie, 1992).

This change in policies by the Board was predicated on mounting difficulties in the supply of overseas markets and the shifting nexus of threat and benefit posed by integrated agribusiness firms. In the decades following the termination of the Bulk Purchase Agreement (1954) when the Board lost control of the markets in Britain, it was to become increasingly involved in securing the interests of farmers by its interventions into marketing. The dual and interlinked character of interventions by the Board into processing and marketing was already inherent to the legislation that empowered the Board. Thus, the Meat Act (1939) created the possibility of two forms of industrial licensing, of export slaughterhouses, and of the meat exports. The differentiation of industrial licensing was formalised following the end of the Bulk Purchase Agreement (1940-1954). Licenses for export slaughterhouses were required by the owners, and their agents, for all premises used in processing for the export trade. These types of licenses were granted on a works by works basis. On the other hand, the licenses for meat export were issued to the individuals and businesses that engaged in the export trade. In this regard, the licenses for meat export formalised the right of a firm to engage in the export trade.

An important facet of the interventions pursued by the Board in this latter period centred on the use of licensing for meat export to impose new and more complex disciplines on business. By and large the Board eschewed the use of its full statutory powers and tended not to



monopolise the sale or distribution of meat.<sup>16</sup> Rather, the Board tried to foster the development of new markets and products and to prevent all forms of price undercutting between meat export licensees. In this regard, the crux of all future interventions by the Board is a working out in the interests of farmers of what must come after wholesaling.

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16 Although at times when the market in Britain was very glutted, the Meat Producers' Board did not hesitate to direct meat export license holders when and where to release frozen meat. "The chairman of the Meat Board (Mr Charles Hilgendorf) made it clear last evening that New Zealand meat exports were going to be controlled from New Zealand and nowhere else. ...Mr Wright said he had found widespread criticism from the meat trade in Britain of the Meat Board's recent action in directing importers of New Zealand lamb to store part of their imports, at their own cost, to spread its disposal. ...he (Mr Hilgendorf) wanted to make it clear to Mr Wright and everyone else that New Zealand meat exports were going to be controlled from New Zealand and not from West Smithfield (Vesteys) or St. Johns Gate (Borthwicks)." cited in 'Meat exports controlled from New Zealand', *Christchurch Press*, 23/5/79.

## **Chapter 6**

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### **The Meatworkers' unions.**

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#### **Introduction.**

In the previous chapters I detailed how the agribusiness firms were constrained and how farmers achieved autonomy through the Board. The source of the constraint exercised by the unions was, in part, from a compulsory unionism and registration secured by the state. Their autonomy was to facilitate a considerable influence by unions on the organisation of processing. The meatworkers' unions took the form of federal associations made up of branches which, like the procurement areas regulated by farmers, represented districts of New Zealand. Historically the main branches were, Otago and Southland, Canterbury and Marlborough, Wellington, Taranaki and Auckland and North Auckland (Roth, 1984). The origins of these branches lay in the early decisions of officials at the Department of Labour and the judges sitting in the Court of Arbitration.

The meatworkers' unions were registered with a Registrar of Industrial Unions. This process of registration allowed the meatworkers' unions to take advantage of the procedures of industrial conciliation and arbitration. As registered unions they were then able to cite their employers to enter into both conciliation and arbitration. The control exercised by these registered unions was enforced by the fact that unregistered unions could not obtain legally binding agreements if a registered union wished coverage in any worksite (Walsh and Fougere, 1987). Registered or, put another way, licensed unions were granted the exclusive or monopoly coverage over workers within their occupational grouping. Issues of occupational grouping and

demarcation and coverage were determined by the Court of Arbitration.

For the period moving from 1894 (when the Industrial Conciliation and Arbitration Act was passed) through to 1935 registered unions could gain coverage only for single industrial districts. That is, each occupational grouping within each industrial district had its own registered union. The branches of the meatworkers' unions that exist today are in many regards a legacy of this legislated fragmentation into industrial districts (Holt, 1986; Woods, 1963; Young, 1976).

In addition, the federated character of the meatworkers' union was further amplified by the constitution of individual freezing works as sub-branches of the union (Roth, 1984). The sub-branches could, and occasionally did, switch their allegiance from the branch that encompassed them to another. For example, in 1958, the plants in Marlborough abandoned an association of plants based chiefly in the lower North Island to form the Canterbury and Marlborough branch. Similarly, the plants at Whakatū, Tōmoana and Wanganui opted in and out of the two main associations operating in the North Island on several occasions in the last twenty-five years (McNulty, 1958, 1972; Roth, 1984).

Since the early 1970s two federations have co-existed in the industry. The New Zealand Meat Processors, Packers, Preservers, Freezing Works and Related Trades Union covers the South Island and the southern North Island and has its head offices in Christchurch. The Auckland-Tōmoana Freezing Workers Federation, with its head office in Auckland, covers the rest of the North Island. Despite this split, in most years the 'national officers' of these associations combined their efforts in negotiation with the representatives of New Zealand Freezing Companies Association to produce a single, all-inclusive, Award (commonly referred to as the National Award).

It is my argument that the continued federated character of the meatworkers' unions is explained, in part, by its embeddedness in local regional networks of the export meat industry.<sup>1</sup> The prevalence of a multiplicity of firms operating in different regions of the country operated, as I have argued, to facilitate farmers' control of the industry. However when we turn to the unions we find this situation facilitated an association of workers whose organisation, in part, mirrored the very multiplicity of the firms it opposed. Regional firms gave rise to regional unions and this chapter will document how this process of isomorphism and associated problems of organising a federation was secured in both the craft and the industrial phases of the unions (Perlman, 1949).

"The absence of one or few major firms with which to bargain or against whom one could strike meant that these unions could not be created by the classic strategy of intensive organisation followed by either summit conference or a decisive strike leading to union recognition and a contract for a single union. As a result, the ILA grew by first gaining control over the work force. This was possible because decentralised hiring as a labour practice existed together with a labour surplus. With many seeking, often on a casual or part-time basis, relatively few jobs, any group that could control the hiring process could please management by keeping wage rates down and at the same time build a cadre of loyal followers by selectively rewarding certain workers by giving them the best jobs. Union leaders, as in the old ILA, could profit from both sides, receiving payoffs from the companies as a

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1 In my discussions with unionists this split in the meatworkers' union was overwhelmingly condemned as the result of short-sightedness and of personalities of various officials. During 1991 I was fortunate to attend a number of a series of meeting held in all the export slaughterhouses around New Zealand at which meatworkers voted overwhelmingly in favour of:- (1) amalgamating the New Zealand Meat Processors, Packers, Preservers, Freezing Works and Related Trades Union and the Auckland-Tomoana Freezing Workers Federation; and (2) eliminating the federal structure of the enlarged union. The support for these measures was in excess of 95% of the membership of the unions. In the ensuing five years no appreciable steps have been taken to realise these goals.

reward for delivering a steady supply of labour at low cost and kickbacks from workers in thanks for getting some of the scarce jobs.” (Wilson, 1973: 249).

In an interesting aside comment on unions Wilson (1973) provides an early example of the analysis of actor-networks. In this passing comment he identifies much of the nexus of constraint and enablement faced by unions. To pursue his argument is to open out an appreciation of networks which transcend abstracted arguments about unions, firms and the character of labour markets (Fligstein and Fernandez, 1988; Gospel, 1992). The significance of his insight is that he assumes that unions are inevitably conditioned by the embeddedness (Granovetter, 1985) of both the firms they confront and by the networks such firms are able to construct in order to pursue their diverse sets of interests.

Wilson’s argument is centred upon organisation of labour movements. He sketches a relationship between the presence of decentralised employers and union hiring as control of jobs. Strangely, while Wilson’s observations on the related character of union and employer associations forms much of the substance of the later work on the waterfront by Kimeldorf (1988), they seem to be largely unrecognised, or at least unacknowledged, in the broader literature on unions (Fligstein and Fernandez, 1988). In the case of New Zealand, Reveley (1992; 1996) demonstrates that the registration of workers on the waterfront in New Zealand displaced the gangsterism practiced by the ILA and instead engendered a concern by the union with the legally proscribed forms of coverage and bargaining (Gospel, 1992) common to industrial relations in New Zealand (Walsh, 1994; Young, 1976).

Analysis of this type of control was made by Perlman (1949). Jackson (1984) has made similar arguments with reference to craft labour markets. Although circumstances in the export meat industry were

different to those faced by the ILA the ability of the meatworkers' unions to operate its own variant of the hiring hall was in like manner central to its early success as a craft union. The power of the meatworkers' unions leading to its influence in markets for labour and stock originated, as Wilson's comments suggests, in the multiplicity of firms in the industry and especially in the processing sector. In this respect, the insights of Wilson (1973) allow an extension of analysis beyond those delineated by Fox and Flanders (1969) in terms of weak employers acting as an external source of union strength.

From the perspective of John Neilson, then, managing director of Waitaki International, the problems facing employers were their fragmentation and consequent inability to organise any effective utilisation of resources:

"The South Island meat processing industry is in better shape than the North Island, where expensive chaos exists -primarily because of the 'competitive' diversity or fragmentation of the structure.

The accuracy of my figures depends on definitions, but in the North Island: (1) There are twenty-three plants; (2) There are ten different owners; (3) There are six co-operative plants with one third of the total capacity for processing cattle, sheep and lambs; (4) There are five plants owned by two public companies with a capacity of only about 15% of the total; (5) There are four plants owned by two private companies with about 6% of the sheep and lamb capacity and 10% of the cattle capacity; (6) There are seven plants owned by overseas companies, and they have 50% of the sheep and lamb capacity and somewhat less in cattle; (7) And, there is one plant 50% owned by and English company and 50% owned by farmers.

What an unholy mixture! And it is not only their structure that is different: their motives and goals must also be very different. The optimum use of the capital works and the labour force can never be reached while the

situation outlined continues to exist. I cannot emphasise this enough." (Neilson, 1983).<sup>2</sup>

The specific configuration of firms in the processing sector meant that:

"Individual plants are very vulnerable to strike action. The cost of one week's strike in a typical three-chain plant is around \$350,000. A plant cannot count on support from neighbouring plants, which stand to benefit from the extra kill that becomes available. A strong and intelligent union leadership at both the national and local level has been effective in exploiting this vulnerability to extract concessions and to resist change. The relatively high degree of seasonality in New Zealand's export kill exacerbates the problem for local management as compared with their overseas competitors because of the urgency to complete the kill and use of seasonal labour." (Evans, 1985: 2-22).

Multiple firms both local and international in the processing sector were a longstanding, and arguably the defining, feature of networks in the industry. Processing firms were essentially local concerns. Even those plants which were owned by very large integrated marketing companies (Cornish, 1995) were embedded in localised markets for labour and for stock. It was in these markets that the meatworkers' unions could confront management.

### **Craft unionism.**

The first processing plant in New Zealand began its operations in 1882 (Barton 1984) and during the next twenty years more than thirty 'freezing works' were built around the farming districts of the country (see appendix 1). These plants constituted the processing sector and provided the capacity for the industry to slaughter stock and to freeze meat (Hartley, 1989). The processing plants were characterised by the

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2 Neilson, E. J., 'Planning for survival in the Meat Industry', Speech to the New Zealand Society of Accountants, Wellington Branch Convention, Wairakei, 17 September, 1983, Archives of E. J. Neilson.

craft of the slaughtermen. Slaughtermen were skilled workers / craftsmen who executed all the tasks in the butchery of stock (Loach, 1969; Scott 1973; Waites, nd). This craft organisation of the labour processes in export slaughterhouses endured for more than fifty years. During this time no slaughterman in New Zealand could find work in the export slaughterhouses of the industry without first joining the meatworkers' unions.

For slaughtermen, and this was a male only occupation, registering for work entailed the classic craft union practices of 'buying a ticket' from union officials (interview, Union official #4). This ticket was a license to work. The tickets were 'sold' by union officials whose wages were calculated for many years, in part, as commissions from such sales (McNulty, 1972). A slaughterman who worked the Australasian circuit of processing firms describes how the ticket-licenses operated:

"Each individual province (in New Zealand) had its own union, but they were all affiliated. A union ticket from up in Auckland would cover you in the South Island and vice versa... That year (in 1931) I arrived in Wellington and went to the union office in Wellington. A fellow named Alex McLeod was the union secretary. I asked if there were any vacancies in the lower half of the North Island. Alex said, yes there are a few. I asked where they were and he said, they want two or three men at Patea and they want men at Longburn. Longburn was a pretty good place, just outside Palmerston North, so I said, I'll go to Palmerston North... If there had been no vacancies I would have gone to the South Island." (interview, Meatworker #1).

During the early years of the export meat industry the (forerunner of the) meatworkers' unions achieved considerable success in the worksites largely through their control of the movement and hiring of itinerant slaughtermen in freezing works around Australasia (Needham, 1987; Roth, 1984). The slaughtermen were undoubtedly the closest manifestation of an 'aristocracy of labour' of their day. Many slaughtermen, like the shearers who worked the farms, pursued an



annual circuit of employment between the Australian states and provinces of New Zealand. This circuit followed the peak of the killing season in these areas. Thus, each year, as the demand for slaughtermen peaked in Queensland and then New South Wales and Victoria (Willis, 1985) several hundred slaughtermen would sail to New Zealand to secure some further months of work. Hence, the foundations of the meatworkers' unions lay in governing the access of a skilled and very mobile workforce to work in the export slaughterhouses around New Zealand. The same slaughterman as quoted above concludes with an account of how the circuit was informally organised by the slaughtermen coming to arrangements to supply labour:

"In 1925 we (sailed from Sydney and) landed in Auckland on Christmas Eve.... I had the idea going to Southdown... I went into the Southdown office, they were the Auckland Farmers Freezing Company. When I went in to apply, the chap in the office put me on to the manager. The manager said, there are no vacancies at Southdown at the moment. He said, there will be some at Horotiu a bit later on, but not over the holiday period. He said, if you go to Morewa there is a job there and you can start in the morning. On Christmas morning! He said, they are overstocked and short of slaughtermen. He said, have you got any mates on the ship? I said, yes, two or three. He said, if you can give me a gang of six slaughtermen I'll pay for your voyage from Sydney, I'll pay for your first class return to Morewa, and guarantee you six weeks work at £10 a week... We got the six weeks full time and then we got our first class ticket back again, and a guarantee of the same conditions if I brought back six men next time. Anyhow I jacked up six good fellows and went back... 26, 27, 28 and 29. For the last three years I was the delegate there. " (interview, Meatworker #1).

In this arrangement the overlap of union delegate and recruiter of labour illustrates the way in which the union was inseparable from hiring.

Slaughtermen were inevitably paid on a piece rate for the slaughter and dismemberment of stock, however they also usually restricted their output to the butchering to an informally agreed number of 100 sheep in a working day. A working day normally lasted eight hours with lunch and tea breaks accounting for one hour. This level of output meant that individual slaughtermen maintained a daunting rate of work in which they slaughtered a sheep, stripped away its pelt, disjointed the hooves, beheaded the carcass, disembowelled it, and trimmed off any excess fat and ligaments, every 4.2 minutes (interview, Meatworker #1). The all-inclusive nature of the slaughtermen's work merited them the appellation of 'solo' slaughtermen. Normally each slaughterman was assisted by a rouseabout or labourer who cleaned away the mess of slaughter and placed the carcasses in muslin bags prior to its blast freezing. Unlike the slaughtermen, the labourers were paid day wages or hourly rates and usually lived locally to the freezing works.

No real effort was made by the craft unionists in New Zealand to include the unskilled and locally domiciled labourers in their Slaughtermen's Federation (which was formed in 1909) until after the First World War (Needham, 1987; Roth, 1984) when several small unions were established to cater for the labourers in the provinces. Principally the labourers relied on the good will of the slaughtermen they worked alongside of to win them occasional pay increases. As a solo-slaughterman noted:

"The labouring sections more or less consciously depended on whatever the slaughtermen got. They never actually took action of their own. There may have been one or two occasions, but they always sought the support of the slaughtermen." (interview, Meatworker #1).

Slaughtermen and labourers were mentioned in the same legally binding agreement (called an Award and negotiated under the

auspices of the Court of Arbitration) for the first time in 1920. The details of and rationale for the alliance which produced the New Zealand Freezing Workers' Union (NZFWU) are now unclear, however what is more apparent is that their brotherhood was invariably an uneasy one. Hence, when some of the international agribusiness firms (Borthwicks and Vesteys) moved to supersede the craft way of butchering stock, in 1932, by introducing a variant of the assembly-line (the chain) the New Zealand Freezing Workers Union abruptly collapsed as labourers, previously dependent on the goodwill of the craftsmen flocked to do work previously undertaken only by slaughtermen (Harrison, 1963 Roth, 1984).

The eventual conclusion of this change in the organisation of the labour process was to shift unionism in the industry from an international craft form, operating between the labour markets of Australia and New Zealand, to regional unions securing control of regional labour markets. Continuities with the older craft form, however, were to survive. The slaughtermen retained much of their skills. As a result, what was in one sense a break in the form of unionism also facilitated the union's organisation beyond the slaughterboard. This took the form of the generalisation of the delegate system across the departments of processing plants in which the men on the slaughterboard remained central.

The unions' control of the seasonal nature of employment in the industry remained important. Like the farmers, who exercised control through their legal rights to supply on a seasonal basis to the processing firm of their choice, the unions sought and achieved control of the seasonal hiring of the labour employed to slaughter this stock. The strategies of the different actors can be seen as having a certain symmetry.

### **New opportunities for union organisation.**

The chain was introduced to processing plants in New Zealand by the large integrated marketing firms of Vesteys and Borthwicks (Cammock and Inkson, 1984, 1988; Willis, 1985). The chain was certainly not a new innovation as variants of the assembly-line had been used in creating the 'industrial slaughter' (Hounshell, 1984) of cattle in North America for many years prior to their introduction to the export slaughterhouses in New Zealand. Indeed, such versions of the 'dis-assembly line' (Braverman, 1974: 274-275) were more-or-less perfected by meatpacking firms based in Chicago and Cincinnati some fifty years prior to their appearance in New Zealand. These developments were noted by commentators of the time (Critchell and Raymond, 1912; Sinclair, 1949) and inform the later writings of business historians (Chandler, 1978, 1990; Hounshell, 1984) and sociologists (Kujovich, 1970; Novek, 1988; Novek and Yassi, 1990; Piore and Sabel, 1984; Portz, 1991; Sorj and Wilkinson, 1985).

When the dis-assembly line was first introduced to freezing works in New Zealand, in 1932-1933, it displaced the solo-slaughtermen whose daily 'tally' was considered to be 100 sheep each working day. This tally was also to determine, in part, the expectations of output from firms running the chain. Trials with different versions of the chain, in various processing plants around New Zealand, resulted in the adoption of a variant with sequential workstations engaging thirty-two men along it. This configuration of the slaughterboard was known as the 'Morewa system' (Loach, 1969). The movement of the chain was thereafter adjusted to equal the tally previously expected from 32 solo-slaughtermen. The new chains were therefore paced to process 3200 sheep each working day. This was a tally for individual chains which was to remain the industry standard until the mid 1980s. This level of output required the movement of approximately 7.6 carcasses

onto the chain each minute of what was typically a seven hour working day.

There can be little doubt that the decision on the part of Borthwicks and Vesteys to rebuild the slaughterboards of their plants in New Zealand around a dis-assembly line owed much to the prevailing interventions by the Meat Producers' Board. These moves by the Board were intended to curtail the efforts of international agribusiness firms to increase their shares of throughput and exports (Harrison, 1963; Knightley, 1981). Prior to the introduction of the chain the Board of Control interpreted its powers under the Export Control Act (1923) very broadly. For example, the Board granted or declined meat-export licenses in terms of the welfare of local actors (farmers and the weaker of the local firms) in the industry rather than in terms of hygiene and public safety for which the laws were originally drafted (Hayward, 1972). Using this interest in welfare the Board fixed the capacity of processing plants by determining the maximum number of solo-slaughtermen they could employ. Each slaughterman was assigned and worked alongside a 'hook' on the slaughterboard from which animals hung while they were butchered (Loach, 1969). In order to restrict the international agribusiness firms, such as Borthwicks and Vesteys, the Meat Producers' Board merely stipulated the number of hooks in the meat-export licenses it granted to them. The statutory body therefore not only restrained the international agribusiness firms but also simultaneously legitimated the output levels typical of the slaughtermen.

The introduction of the chain by Borthwicks and Vesteys was clearly intended as a means of by-passing the stipulations of the meat-export licenses. By eliminating the solo-slaughtermen and replacing them with less skilled workers, who were ordered and machine-paced by the dis-assembly line, the international agribusiness firms hoped to disrupt the Board's limitation of their operations which was, in turn,

based on the limitation of a craft workforce. At the same time, the introduction of the chain promised to eliminate the reliance of processors on troublesome slaughtermen and to thereby subdue the New Zealand Freezing Workers Union. The chain was actually introduced first, by Borthwicks and Vesteys, in processing plants which had gone on strike in the previous killing season (1931-1932). These strikes were in opposition to sweeping pay cuts that reduced wages in the sector to around 1917 levels (Roth, 1984; Needham, personal communication).<sup>3</sup>

Insofar as the chain was intended to circumvent the Board and to ruin the union through its radical modification of work in export slaughterhouses, this early example of transforming the labour process in the industry was to prove something of a disappointment for both Borthwicks and Vesteys. On the one hand, the bid by the international agribusiness firms to by-pass the practices of meat-export licensing was trumped by the Meat Producers' Board in the form of the Slaughtering and Inspection Amendment Act (1934) and the subsequent Meat Act (1939). This legislation empowered the Board of Control in a full-fledged version of industrial licensing (see chapter 4). On the other hand, the eventual configuration (Depla, 1988) of the disassembly line which predominated in the export slaughterhouses did not force down the numbers of meatworkers, nor did it erode the wages of meatworkers, nor did it produce an enduring disruption of the union (Roth, 1984), as was perhaps anticipated by the management of processing firms. Some measures of the resilience by meatworkers and their union to this particular try at re-engineering the factory are captured in the following table (see table 6.1).

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3 Stuart Needham is writing a MA thesis in the Department of History here at the University of Canterbury concerning the history of meatworkers' union in the South Island during the fifty years prior to the implementation of the chain. I am indebted to him for sharing his insights with me about this otherwise neglected topic.

**Table 6.1: Numbers of meatworkers, nominal wages and wages of meatworkers relative to all workers, 1901-1994.**

Year	Number of meatworkers	Annual wage of meatworkers (nominal \$)	Ratio: wages meatworkers /all workers.
1901	2,221		
1911	3,978		
1921	8,328		
1923	7,145	374	1.05
1928	6,139	480	1.17
1933	6,365	486	1.33
1938	7,835	558	1.36
1943	10,137	756	1.35
1948	11,821	948	1.28
1953	11,516	1358	1.29
1958	13,748	1890	1.35
1963	16,995	2248	1.39
1968	19,555	2730	1.31
1973	24,047	4860	1.38
1979	31,327	8845	1.15
1984	32,168	17707	1.23
1989	23,350		
1994	20,000		

Source: Department of Statistics, 1922: v-vii, 1923: vi-3, 1928: 10-12, 1933, 11-12, 1938: 11-12, 1940: 971, 1943: 11-12, 1953: 32-35, 1958: 39, 1963: 45, 1968: 48, 1973: 44, 1979: 8-11, 1984: 18-12; Economic Service, 1960: 8, 1977: 11, 1985: 20, 1994: 26; Evans, 1956: 34; Chris Jackson-Jones, personal communication.<sup>4</sup>

<sup>4</sup> Chris Jackson-Jones is an economist with the Meat Industry Association.

The above table indicates that the new labour market of meatworkers, rather than the slaughtermen, was probably able to improve their position relative to all other workers in New Zealand in the years following the implementation of the chain.<sup>5</sup> Such an outcome for labour in terms of wages following on the introduction of the dis-assembly line fits with other accounts of the introduction of the assembly line in the early twentieth century (Beynon, 1975).

By contrast, Piore and Sabel (1984) use the case of the meatpacking industry in the USA as typifying of the techniques of mass production and leading to the marginalisation of craft. For them, the introduction of the dis-assembly line in meatpacking houses and of refrigeration technologies in railcars and stores entailed not only the elimination of a craft but also its irregular seasonal rhythms of production.<sup>6</sup> This latter point is extremely significant.

The implementation of the chain in export slaughterhouses had significantly and immediately eroded the union's control over the markets for labour. The chain 'de-skilled' work on the slaughterboard (Cammock and Inkson, 1984, 1988) to the extent that several weeks would suffice to train new slaughtermen to begin work on the dis-assembly line. In this respect, the processing firms were able to hire local and unskilled men to replace the solo-slaughtermen and

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5 "Wage levels are regarded as high in comparison with industry generally. It is difficult to measure the extent of this difference. Any comparison between the average earnings of freezing workers and all industries, which could be made by using statistics from the Department of Labour's Half Yearly Survey would suffer from several inadequacies. It would not take into account the range of variations in pay packets between workers and stages of the season. Nor would it give an accurate picture of the comparative annual incomes of the workers concerned including periods spent unemployed or on lower work." (Meat Industry Training Board, 1978: 9).

6 "This seasonal pattern permitted an elaborate division of labour that economised on butchery skills, but obstructed mechanization. Semiskilled labourers could be laid off at the end of the cold season, but special-purpose butchery equipment could not be; hence, there was no point in installing it in the first place." (Piore and Sabel, 1984: 58-59).



troublemakers. A good many of the former solo-slaughtermen were thereafter locked out of work. Indeed, the implementation of the chain in combination with the seasonal and intermittent character of work in processing plants foreshadowed the likely casualisation of employment in the processing sector. In this respect, the fate endured by farm workers provided meatworkers with a dire example of the lot of a fragmented, unskilled and non-unionised workforce in New Zealand (Martin, 1984, 1987; Rotherham, 1980).

A new association of meatworkers was formed, in 1937, in the aftermath of the introduction of the chain, the New Zealand Freezing Workers and Related Trades Association (NZFWA). This effort by the meatworkers' unions to regroup, and the broader effort among unions in New Zealand to recover from a sustained offensive mounted by employers (Walsh and Fougere, 1987), was aided greatly by the election of the first Labour Government in 1935 and its support of compulsory unionism (Holt, 1986; Woods, 1963; Young, 1976). Nevertheless, even with the benefits from compulsory unionism (and, in part, because of such state-sponsorship of unions) the NZFWA pursued a strategy that was very different to its predecessors. Whereas the Slaughtermen's Federation and the New Zealand Freezing Workers' Union had relied mainly on the scarcities of its craft workforce to secure the labour markets for it, the NZFWA instead centred its efforts at reconstituting a form of union control through embracing the tenets of seniority in seasonal employment (McNulty, 1958, 1972; Roth, 1984).

In the case of the export meat industry in New Zealand the collision of techniques of mass production with seasonal forms of pastoralism described a very distinct trajectory. I argued previously that any 'rationalisation' (see chapter 3) in the export meat industry of the type assumed by Piore and Sabel (1984) (and desired by Critchell and Raymond, 1912) was more-or-less forestalled by the Meat Producers' Board. Hence, even after the introduction of the dis-assembly line into

the processing sector, the industry in New Zealand remained the most seasonal of all meat industries (see table 6.2).

**Table 6.2: Seasonality in meat processing.**

Country.	Days/year slaughtering.	Hours/week slaughtering
New Zealand	160	40
Australia	230	40
USA	250	50
UK	250	60
France	240	50

Source: Evans, 1985: 2-4.

The operation of processing plants, the timing of their throughput and of the volumes for export were ultimately governed by the dictates of pasture growth (McLean, 1978), and they remained so largely because this very seasonal form of production best suited the interests of family farmers (Curtis, 1992). Rather than advance the processing (and farming) of stock as a year round set of endeavours (Sanderson, 1986), the introduction of the chain by processing firms was effectively subordinated to the prevailing forms of seasonality. Further, the impact of seasonality on the configuration of work in processing plants was evidenced materially in the building of multiple or parallel chains across the slaughterboards of freezing works in New Zealand. Such variants of the dis-assembly line were in place in all the export slaughterhouses in New Zealand by 1956 (Cammock and Inkson, 1984; Shields, 1982).

An important reason for building multiple or parallel dis-assembly lines in freezing works was that it allowed processing firms considerable flexibility to add and to shed processing capacity in response to the seasonal fluctuations in the numbers of stock sent to slaughter by farmers. Thus, the killing season commenced each spring (the custom is that it starts officially on 1 October) and reflects the increase in the

numbers of stock (new born lambs and yearlings) then available for slaughter. Typically, the processing plants throughout the country commenced operations around this time by starting up only one of their killing chains (called the first chain). A meatworker explains:

“If the company has done its homework... it will know to call back the right number of men. Like on the mutton chain, there is probably a particular time of the year when the (firm’s stock) buyers have been around and have got their order books full. The company then divides the number of chains that are required into the number of stock that is expected.” (interview, Meatworker #3).

As the numbers of stock being made available by farmers increased throughout the spring the processing plants increased their capacity to slaughter by starting up the other of their killing chains (called the second chain, third chain, last chain). Average-sized freezing works operated three chains and the largest in New Zealand (Alliance, Lorneville) operated seven chains. At the height of the killing season, during the summer months of December, January, February, the processing plants would operate all of their chains. During the autumn the numbers of stock then available for slaughter (mainly old ewes and other culls) tapered off. In response, the processing plants decreased their capacity to slaughter by shutting down their killing chains one after the other (last chain, third chain, second chain, first chain). Thus, processing plants typically ceased their operations all together during the winter months of June, July, August, because at this time little to no stock was made available to them by farmers. This period of shut down in the processing sector of the industry was called ‘the slack’.

Clearly the use of parallel chains in freezing works allowed flexibility in their operations and, what is most important, it allowed firms to respond promptly to the decisions of farmers and competitors in the essentially localised markets for stock. At the same time, this

configuration of the dis-assembly line further reinforced an existing level of over-capacity in the processing sector (Evans, 1985). In this regard, the unusual (in comparison with North America and Argentina) use of the dis-assembly line also served to intensify the emphasis placed by the management of firms and processing plants in the export meat industry on securing throughput (New Zealand Freezing Companies Association, 1980: 28). At the same time, the intersection of the dis-assembly line, seasonality and hiring requirements following from this 'peculiar' arrangement enhanced the capacity of unionised workers to organise and regulate their own labour markets.

### **Union organising in a seasonal industry.**

The weight which processing firms were forced, inescapably, to place on securing throughput (to the very great benefit of farmers!) simultaneously entrenched their vulnerability to manoeuvres by the union that might disrupt these endeavours. Although the specific relationship remains unclear, the seasonality in processing undoubtedly shaped the predisposition of meatworkers to go on strike (Alexander, 1972; Geare, 1972a, 1972b, 1972c, 1972d; Howells and Alexander, 1968a, 1968b; Howells, and Woodfield, 1970). The key to the success of the meatworkers' unions had, subsequent to the implementation of the chain, laid squarely in its ability to regulate an international market in slaughtermen. In the new arrangements, after the chain, the meatworkers' union could (threaten to) interfere in the localised markets for stock of processing firms only after they had protected themselves in the (increasingly) localised markets for labour. Their solution was to institutionalise a queuing system for jobs known more generally as 'seniority'.

Given the seasonal and intermittent character of employment in the processing sector and the 'numerical flexibility' (Atkinson, 1985) which

the parallel chains gave to processing firms, the struggle for seniority was crucial to the union. A meatworker recalls the 1950s:

“When I started in the industry (1951) you didn’t get ten or eleven months employment (in a killing season) like they do now. You got ten weeks or three months... They used to call it the hundred day season.” (interview, Meatworker #2).

Without any rules of seniority meatworkers faced the prospect of minimal security in their employment from killing season to killing season, while their elected representatives could be singled out and effectively blacklisted. Seniority, then, was viewed as securing a new form of unionising within the plant as well as regulating the labour market. A meatworker explains how the absence of seniority empowered the processing firms:

“There were no set rules about seniority. It was normally understood that you were in the first twelve, or fifteen, or twenty (to start work). But if you were a naughty boy the employers would have no hesitation in saying, we don’t want you this year. And they would get away with it... I was driven out of the industry in 1932. That was the year of the big strike... Every time there was a dispute of any kind they (the employers) wanted every shed to fix it up on their own. They would never acknowledge to the union, or make known to the union, that they had an Association of their own. Most of the more intelligent of the union members knew that there was an Association. And, that it was linked with Australia. I learnt that to my expense. I was barred in Australia and the next year I was barred in this country.” (interview, Meatworker #1).

Hence, the union’s fostering of rules of seniority for employment in export slaughterhouses meant codifying and stabilising not so much the right to work as the rules governing who had access to work and their tenure in a killing season. Not surprisingly then, gaining seniority is remembered as a crucial development. A union official explains how this was actually a two-stage process. In the first stage:

"This shed was a forerunner of seniority. We won it here in 1952-53. (Before that) there was seniority but the company never recognised it." (interview, Union official #6).

This informal agreement was then codified in 1958:

"Once the national union (sic) was formed then the seniority was bought into the Award. Seniority is fair because people had their favourites and a lot of foremen and bosses had favourites. They could turn around and say, well that fellow has been here twenty years but I don't like him. I had an argument with him. I'll get someone else in." (interview, Union official #6).

The main union argument for seniority was that an individual's job with a specific processing firm, from killing season to killing season, constituted continuous employment in terms of gauging his length of service with the firm. Union men argued that continuity of employment should apply notwithstanding the cyclical break in work imposed by the shutdown of the plant each year (in the slack).

The management of processing firms resisted the union's demands to formalise the practices of seniority. Their claim was that employment (like work) started anew with each killing season. However, such claims by management were undermined by their own longstanding, albeit informal, recognition of the seniority. For example, it was usual for the men employed in the previous killing season by any processing firm to be summoned to return to work and notified of the date of commencement for the current killing season. Further, it was normal for men to start work earlier and to finish work later in the killing season as they increased their length of service with that firm. That is, a newcomer would inevitably start and finish work with the last chain, while a man with twenty years 'continuous' employment would start and finish work with the first chain.

This structure of employment applied in like manner to the men on the dis-assembly line as well as to those in the myriad of 'follow-on' departments (casings, fellmongery, smallgoods, rendering, etc). Custom and practice rather than rules ordered the factories. A meatworker explains that these agreements could, of course, be broken:

"They had a gentleman's agreement. I can remember that they had put a lot of slaughtermen off one time and then a flush of lambs came in and management wanted to bring them back on. The union wouldn't hear of it. The union was saying, if you start that then you'll be popping people off down the road all the time." (interview, Meatworker #3).

Management also contended that seniority would jeopardise the smooth running of a processing plant insofar it would denude the slaughterboard and follow-on departments of men with particular sets of skills. In this sense, the struggle over seniority bridged the issues of control of labour markets and of labour processes or work. That is, while the implementation of the chain definitely failed to enhance overall levels of productivity in freezing works,<sup>7</sup> it at least offered management some hope of wresting control of other aspects of the employment relationship from its newly de-skilled workforce (Cammock and Inkson, 1984; 1988).

It was this advantageous prospect for management that concerned the meatworkers. Their solution, the codification of seniority was won in piecemeal fashion, from processing plant to processing plant. In addition, the elected worksite representatives of the union also obtained control of all the practical aspects of training and the limited forms of job rotation (Edwards, 1979). Union control of training was critical. It also speaks to the degree of skills retained by the

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7 Indeed the implementation of the chain was described to me as resulting in 'the longest go-slow in industrial history' (interview, Manager #4).

slaughtermen despite the introduction of the dis-assembly line. A union official speaks how this 'service' supplied by the union regulated the labour market.

"When (the delegate for the slaughtermen) gets a learner slaughterman, he is trained in three jobs. When he is qualified as a slaughterman he can do all those three or four jobs. So when (the foreman) calls at the start of the year he knows what the group of people can do." (interview, Union official #6).

The formalisation of conditions of seniority in the National Award of 1958 (McNulty, 1958) ratified the union's informal control of the labour market and, in particular, of the practices of hiring and firing. Indeed, the codification of rules of seniority, arguably, gave the union even greater authority than it had enjoyed in the days of the solo-slaughtermen. A meatworker explains how in a particular plant these rules were used:

"(The foreman) really hated (a casings worker). He was a lazy bastard. Well one season (the foreman) didn't notify him of the start-up. We all got to work and after a couple of days said, where is that bugger (the worker). When it came out that (the foreman) hadn't notified him there was hell to pay. The company restarted him. After that (the foreman) could never get rid of him." (interview, Meatworker #2).

Seniority, then, became a key feature of the union's endeavours. As a union practice it utilises the formalisation of a queuing arrangement for jobs. Seniority was determined by the allocation of a 'number' to each men who worked in every department of the freezing works. The most senior man had the lowest number, the least senior man had the highest number. As senior men retired or permanently quit work the less senior men gradually obtained the lower numbers. A man's number determined his right to work and his tenure of employment in each killing season. Thus, the slaughtermen with seniority numbers 1 to



32 might start and finish work with the first chain; the slaughtermen with numbers 33 to 64 might start and finish work with the second chain; the slaughtermen with numbers 65 to 96 might start and finish work with the third chain. At the same time, the casings workers with numbers 1 to 20 might start and finish work in the casings department processing the guts and runners made available by the first chain; those with seniority numbers 21 to 26 might be reliant on the second chain; those with numbers 27 to 32 on the third chain.

The strict order of queuing imposed by the seniority numbers could be modified only by the agreement of the workforce and, what is more important, of their elected representatives within each department of the freezing works. A meatworker explains how a worker could carry two numbers:

"I had a seniority number on the mutton chain and in the boning room. The union had no objection to having a seniority number in both rooms because they had a way of counteracting that. You had only a week to turn up after you had been called in. Should they ask me to go into the boning room when I was working on the mutton chain and I didn't go into the boning room within the week then I would lose my number... But (the union delegate) might say to me, what about you staying on in the mutton chain and let some guys who haven't got a job go in front of you?... Suppose the foreman of the boning room, said (to the union delegate), I want another man. He would look down the seniority list and it might say that I am the next one due to come back. The delegate might say to him, Smith is down the road on the dole, starting them would be a neat compromise. Bring them back instead of me. That'll be okay, I've got a job. The union would have a quick meeting about it and say if it was okay. They would have no worries.

Q: If you then got put off the mutton chain could you then start in the boning room and (Smith) would go down the road?

A: I had that option if I wanted to exercise it. A different thing would be if you were outside and wanted

dispensation not to go back. You see (in the above case) I was given dispensation not to go back. It would be a different thing if you were whitebaiting (fishing) and making a lot of money. Or if you were being crafty and you were a builder with a house to finish. The lads would not accept that at all. You were not working within the confines of the system." (Interview, Meatworker #3).

### **Union delegates and the organisation of processing.**

"There used to be an open drain that ran along the slaughterboard, beneath the chain, well I've seen jokers stop work and take a piss, right there. Whenever a carcass fell into the drain, they'd just pick it up and put it back on. They'd laugh about it.

Q: What did the boardwalkers (supervisors) do?

A: "Nothing." (Interview, Meatworker #2).

During the 1960s and even more so in the 1970s the processing plants of the export meat industry were the most strike-prone worksites in New Zealand (see table 6.3 and table 6.4). Further, as the head of Hellabys -a long established firm in the industry- noted industrial disharmony coincided with sky-rocketing costs in the plants.

"The cost structure started to get away from us at that period. More so I think because you know we started to really lose control within the plants." (Sir Alan Hellaby, 1992).<sup>8</sup>

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8 Sir Alan Hellaby was interviewed in 'The Black Singlet Legacy', which was broadcast on 3/11/1992 as part of the series 'Marae' by Television New Zealand. The interviewer and producer was Tainui Stephens.

**Table 6.3: Strikes in the processing sector.**

Year	# Strikes	# Workers on strike	# Working days lost.
1923	4	163	-
1928	1	859	0
1933	-	-	-
1938	11	2,980	4,878
1943	8	609	566
1948	13	3,602	5,792
1953	5	237	250
1958	12	2,766	4,487
1963	15	7,739	31,909
1968	40	21,954	79,702
1973	96	73,085	141,738
1979	181	77,461	141,122
1984	56	62,253	215,376
1990	16	13,318	215,923

Sources: Department of Statistics, 1924 11/5: 37, 1929 16/3: 42, 1934 21/3: 27, 1939 26/3: 29, 1943 31/3: 35, March 1949: 16, March 1954: 19, March 1959: 17, March 1964: 26, March 1969: 16, March 1974: 17; Department of Statistics, 1980: 818-820, 1985: 898, 1992: 240, 1995: 319.

**Table 6.4: Strikes in the processing sector as % of all industry.**

Year	% Strikes	% Workers on strike	% Working days lost.
1923	8.1	2.2	-
1928	1.8	8.7	-
1933	-	-	-
1938	11.1	26.1	13.8
1943	11.5	5.5	3.7
1948	13.1	13.9	5.9
1953	6.8	1.0	12.9
1958	10.2	20.1	23.9
1963	20.0	51.9	58.5
1968	26.1	58.6	61.2
1973	24.4	63.0	52.2
1979	34.6	48.9	36.9
1984	15.3	38.8	50.6
1990	11.6	26.6	65.2

Source: Department of Statistics, 1924 11/5: 37, 1929 16/3: 42, 1934 21/3: 27, 1939 26/3: 29, 1943 31/3: 35, March 1949: 16, March 1954: 19, March 1959: 17, March 1964: 26, March 1969: 16, March 1974: 17; Department of Statistics, 1980: 818-820, 1985: 898, 1992: 240-241, 1995: 319.

This loss of managerial control coupled with rising costs and strikes promoted academic study. In 1968, Howells and Alexander noted that:

"Of working days lost through strikes in New Zealand between 1945 and 1955... meat freezing accounted for only 8.3 percent. This pattern has been dramatically reversed in the last decade: from 1956 to 1965, nearly 43 percent of working days lost were in meat freezing." (Howells and Alexander, 1968a: 418).

Seven years later Geare identified much the same:

"Although the industry employs only approximately 10 percent of wage-earners, over the last eleven years strikes in the industry have often accounted for more than 40 percent of working days lost through strikes." (Geare, 1972d: 15).

In 1975, Inkson and Simpson also highlighted the bad industrial relations record in processing plants:

"The industry has a bad industrial relations record. The Meat Industry Commission Report (1973) shows that the industry accounts for about half the total man-hours lost per year in New Zealand through strikes, despite employing only 2.6% of the workforce." (Inkson and Simpson, 1975: 45).

While Turkington offered a comparative analysis:

"Three industries, employing only one-tenth of all wage and salary earners, account for a preponderance of total conflict activity in its collective forms. Meat freezing, waterfront and building and construction together accounted for 71.8% of workers involved in stoppages, 59.2% of man-days lost and 45.1% of stoppages by number over the decade 1964-73. In all cases meat freezing predominated. Moreover, of the few lockouts reported in the same decade, 56% occurred in these industries with meat freezing again the most important." (Turkington, 1976: 30).

The bulk of this research both sociological and psychological, into the industry was concerned with the problems of supervision in export slaughterhouses (Eichbaum, 1980; Inkson, 1976, 1977a, 1977b, 1978a, 1978b, 1979; Inkson and Simpson, 1975; Turkington, 1976, 1979; Walsh, 1975). This research saw little scope for the redesign of work or the employment relationship in export slaughterhouses. Researchers and the managers in processing firms wished especially to eschew any unfruitful (and unwinnable) confrontations with the meatworkers' union (Inkson, 1977b). Researchers instead focused on what was considered to be the more readily measurable and the more changeable aspects of work and employment. Consequently, the body of writing they generated concentrated on understanding the psychological profile of meatworkers, on developing new styles of supervision, and on linking bonuses to performance. Many of these research efforts were closely aligned with initiatives to improve the style of supervision in order, it was then argued, to improve the effectiveness of management and the performance of processing firms (Martin, 1975; Newton, 1975; Moore, 1978).

John Neilson, then managing director of New Zealand's largest processing firm, Waitaki-NZR, recognised that industrial relations resembled a wasteland for aspiring managers. He argued that:

"Industrial relations, worker participation and similar topics are continuously before us, yet I fear that our thoughts are often superficial and top management too often finds more important subjects to occupy their time. Waitaki-NZR has nine (freezing) works and 5,000 permanent employees. We have many younger men who wish to be production supervisors, quality controllers, computer managers, salesmen and stock buyers. Despite specific requests we have almost no candidates wishing to specialise in industrial relations. There is a disturbing

tendency to shy away from this extremely complex and frustrating work- yet it is vital." (Neilson, 1976).<sup>9</sup>

For those in the industry who kept away from industrial relations and for those who carried out the research, the problem was that formal lines of authority was not how work was organised. A meatworker explains the role of the delegate in this:

"You asked before about the delegate doing some of the organising in the room. He did. But only because of his power. It wasn't his job. Nor did the company really like it to be that way. For example, there might be a little bit extra work given to us. We would say, there is nobody here to do it. They would say, we will put another person into your pool and we'll pay for that person. The company might not consider that work to be a full time job. So, later on there might (again) be a little bit of extra work done in consultation with the union. (The delegate) would say, well okay, we handled that. There was not much more to do. We did all right with the guy you gave to us previously. So, the delegate might go to one of the tables and say to the chaps on the tables, why not go down and do the job they want you to do? The other can carry on here. But I should point out that we were usually loath to do that. When the company asked for extra work to be done we were always reluctant to do it. We had agreed on a contract and we battled quite hard not to do anything extra." (interview, Meatworker #8).

In many respects the delegates, the elected representatives of the meatworkers' unions in each of the departments or rooms of a processing plant, were ultimately responsible for the day-to-day running of their room. In a well unionised freezing works only the delegate could modify the application of seniority in a room or ask men to move between jobs in a room. The slaughtermen's delegate in such works were full time. A delegate explains his job:

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<sup>9</sup> Neilson, E. J., 'Address to NZ Administrative Staff College', 14 October, 1976, Archives of E. J. Neilson.

"I am off the chain. I am the only one. I established that when I took over in 1969 as delegate here (of the slaughtermen) . We had five chains in those days. Now to do justice to those chains, to the men I represent, I couldn't work on the chain and be a full time delegate. So I decided then that I would not work. And the company went along with it. Once I had established that then (other processing plants) throughout the country got walking delegate... It works in their (the firm's) interests as well. I keep the chains rolling. I keep the men happy and the company gets their product, but if they aren't then we stop the chain, go to a meeting and it costs production." (interview, Union official #7).

The authority of delegates to keep the chains rolling effectively marginalised the authority of supervisors (foremen). The foremen, then, had formal authority to hire and fire, to discipline the workforce, to successfully monitor work, or to organise the running of the room. But in practice the delegate took the decision. The job of the foreman involved focusing their energies on 'manufacturing consent' from the all important delegates for each and every of their decisions (Burawoy, 1985). As a delegate explains:

"There might have been a fellow not doing his job properly. He just might have put a little nick in the skin (when loosening the pelt). The next fellow on line gets into it and tears (the pelt). Then he may have got a rip up from the boardwalker (supervisor). (The supervisor) might say, any more of that and you are down the track. Well he (the worker) says, it is not me it is the fellow up the bloody line doing it. So, I go to the fellow up the line and say, you pull your head in and do your job properly. He says, get stuffed it is not me at all, it is that fellow up there. And so it is a never ending go along. But somewhere along the line someone has got to clear it up." (interview, Union official #7).

In other words, the high levels of industrial disharmony in processing plants inevitably coincided with an active involvement by the delegates and local officials of the union in the organisation and

monitoring of work. Another delegate comments on this active role in disciplining the workforce:

"Our situation wasn't very good a while back so (another union official) and I had a meeting. We roughed them (the workforce) up. We just told them that the bloody job is not getting done. One slaughterman stood up and he said, yes and you have all got a (poor) attitude to these problems. So (the other union official) really got into him. That is your bloody trouble, he says. You have been here thirty odd years. You are supposed to be the number one slaughterman and you can't do your job. You have got the bloody attitude problem all right. And told him that it was a collective contract and we were there to bloody help each other (interview, Union official #6).

Union delegates, then, were forced to check unruly workers on the chain or in the follow-on departments in order to maximise pay (Batstone, Boraston and Frenkel, 1978; Beynon, 1975). This role of union delegates in disciplining workers was further complicated by the use of piece rates in the processing plants. The Award for Meat Processors, Packers, Preservers, Freezing Works and Related Trades stated:

"(Clause) 13. Piecework and Co-operative Contracts: (a) Wage rates and special conditions of work for piecework and other types of 'payment by result' systems not provided for in this Award may be arranged by mutual consultation and agreement between authorised representatives of the employer and the union." (New Zealand and Meat Processors, Packers, Preservers, Freezing Works and Related Trades Industrial Union of Workers, et al., 1979: 15).

At the same time, it was understood by meatworkers that:

"The Award had bugger all relevance to actual pay and conditions. It only set the minimum hourly rates, the minimum weekly pay, holidays, long service and sick leave. Most of any weekly pay came from the clause 13s." (interview, Union official #4).



Before the introduction of the chain the solo-slaughtermen were paid on the basis of numbers of stock they dispatched in a single day. This piece rate was calculated and paid to individuals or, more commonly, it was 'pooled' and divided equally among all the slaughtermen on the slaughterboard (interview, Meatworker #1). The labourers who worked alongside the slaughtermen and in the follow-on departments were paid on the basis of day wages or an hourly rate. After the introduction of the chain to freezing works around the country (starting in 1932 and completed in the smallest processing plants by 1956) a related mix of hourly rates, piece rates and pools (co-operative contracts) became generalised for the payment of the workforce. Thereafter these practices of pay in freezing works acted as an important intermediate variable, coupling the undoubted belligerence of the meatworkers' unions with the active involvement of its delegates in the supervision of work.

Piece rates were calculated and paid to pools which normally included all the workers on a particular chain or in some follow-on department. That is, each department or room in a processing plant negotiated its own co-operative contract (called the clause 13s). Workers received their weekly wages as an equal share of the pool formed under the co-operative contracts.

The co-operative contracts were negotiated around expectations of completing a daily tally. A typical full day's tally on a killing chain might be 3200 stock. A full day's tally in a casing department, being supplied by three chains, might be 9600 runners (mucus linings of sheep intestines). Thus, an important daily task of most delegates was to scrutinise the tally sheets from the previous working day and to confirm that the workforce received full credit for that day's throughput. In this regard, the weekly wages of meatworkers were closely tied to the amount of throughput secured by the processing

plant. It was the delegate's job to monitor this process. A delegate explains the detailed nature of this operation:

"Every day, around 8.30, I go to the foremen and we sit down and go through the previous day's payments. It comes out (about) the same (each day) but there are little pieces in there that they try and knock you over on. They will say it (deficiencies in work) was the men's fault and we are not paying them for that... What I get there the men get, because they are all governed by what I do. If I make a slip up on the payment then they get docked right throughout the whole system. That is right. It relies on me." (Interview, Union official #7).

A number of factors might influence the calculation of pooled and individual pays. Firstly, mechanical faults, delays in the supply of stock, deficiencies in stock, sanctioned meetings, etc, could reduce throughput to below tally. In such cases, essentially where any blame for shortages were not attributable to the workforce, an hourly rate (called the minimum) became factored in. For example, should a power failure halt processing on a killing chain, then the minimum hourly rate would be used to compensate for any 'missed hooks' (interview, Union official #7). Secondly, where sabotage or deficiencies in work caused shortages in the daily tally, then the piece rate was used to make deductions from the pooled and individual pays. Thirdly, the chain or, more commonly, the follow-on departments might have operated below strength. For example, a co-operative contract for a casings department might stipulate that its pool would apply to 26 workers. If only 24 men turned up for work on a given day, and the room still made tally, then the workers who were present would each be due  $26/24$ ths of the pool for that day. Fourthly, and what was most important, the different types of throughput (whether it be types of stock, runners, pelts, etc) each had their own piece rates. For example, slaughtermen might receive an extra 2 cent for each unsheared lamb and an extra 2 cents for each uncastrated beast.

Similarly, casings workers might receive an extra 1/2 cent for each runner from beta lambs (six week old lambs).

The pay and conditions enjoyed by meatworkers was not wholly the result of such local deals secured by the delegates. These outcomes were the result of a combination of local and national deals that was more generally described as 'two tier bargaining' (Geare, 1983). This form simultaneously generated both formal and informal agreements. This bifurcation in all the aspects of bargaining proved extremely advantageous to the meatworkers' unions and its complexities surprised at least one noted researcher:

"I am amazed at just how peripheral the Award is in the day-to-day industrial relations of the industry. It simply provides the foundation on which a gigantic superstructure of written and unwritten, formal and informal, plant, department and even sub-department agreements uneasily sits." (Turkington 1979: 7).

On the one hand, the negotiation of the formal Award was a centralised process which involved the representatives, the summits, of the employers association (the New Zealand Freezing Companies Association) and the meatworkers' unions.<sup>10</sup> The negotiations of the Award were normally undertaken each year and ultimately produced a legally-binding document of some sixty to seventy pages in length. This document, the Award, purported to detail the pay and conditions in all export slaughterhouses in New Zealand. On the other hand, these Awards were 'fictions', insofar as they established only the minimum

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10 The negotiation of Awards formed the substantive area for much of research in industrial relations. In other words, academics in New Zealand emphasised the legal, procedural, centralised and centralising, and 'systemic' (Geare, 1983) aspects of industrial relations and work. Hence, Walsh (1994) in his recent review article highlights a fascination by academics in New Zealand with:- "...new Government policies or legislation, on major Court decisions or major disputes, on policy debates between or within the (political) parties and on major new developments in industrial practice. (Walsh, 1994: 163)."

hourly rates and piece rates to be later factored into and greatly enhanced by local deals. That is, rather than standardise (average) pays and conditions for firms and plants in the processing sector the Awards established a benchmark that was renegotiated differently in every freezing works and department around the country. A union official describes this mix of centralised national and local practice involved in this form of negotiation:

"They (national representatives of the union) would go in there (into negotiation) and they would put their claims. The employers would put their claims. They would go away and discuss them, come back, and the employers would make counter claims. The union would make counter claims. And after two or three days they would get down to, well do we sign it, or not? We might as well. And most times we (plant representatives of the union) were unhappy with that. Some of the people who came back and would tell you how militant they were, and that the other five or six assessors voted, and they didn't. It was bullshit. And we were stuck with it. So then we did all our top ups on the plant." (interview, Union official #6.)

If the delegates supervised they also had the power to disrupt. This power to disrupt lay in their ability to target the operations of individual firms where they were most vulnerable, that is in the localised markets for stock. For rather than relax the drive to secure throughput, the institutional constraints (including the truncated killing season) placed on processing firms in New Zealand led them to redouble their efforts to do so. Hence, just as the stress of firms on throughput intentionally weakened them in their transactions with farmers, it also unintentionally exposed firms to the machinations of the meatworkers' unions. As one meatworker noted:

"The union let nothing go. I am talking about 1967-68. Times were very buoyant and the company were pretty happy in the main about the ways things were going. Not that I am saying that we ever blackmailed them!" (interview, Meatworker #3).

The union intervened in the markets for stock chiefly by threats to stop work and, more routinely, by selective bans on 'loading out' (interview, Union official #8). Stop works and strikes were for many years a prevalent feature of industrial relations in the processing sector. The vast majority of these stoppages occurred at the level of the individual departments and many were wildcat stoppages (Turkington, 1976). However, because meat processing is essentially the dis-assembly of a highly perishable commodity (stock, meat, offals, guts, pelts) the men on the slaughterboard, the first department in the sequence of industrial slaughter, are greatly advantaged. That is, when the slaughtermen stop work the supply of materials to the follow on departments also ceases. At the same time, freezing works run to detailed schedules wherein stock is purchased some days, weeks or even months prior to slaughter (interview, Manager #12). Therefore, unexpected and unplanned delays in the processing of stock impact almost immediately on the deals made by the processor with farmers, the railways, trucking firms. Further, farmers are extremely fickle suppliers and they have shown repeatedly that when a processing firm is belaboured by industrial unrest it will lose their material support.

Bans on loading out at specific freezing works were imposed by delegates in conjuncture with officials from the union branch. They were used by the unions in recognition of the particular problems in securing stock faced by processing firms (interview, Union official #8). When the meatworkers' unions enforced a ban on loading out it meant that no finished product could be removed from the targeted freezing works. This form of industrial action meant that the processing plant could continue to operate for as long as it had capacity to store the hundreds and thousands of frozen carcasses, cartons of smallgoods, barrels of casings, bales of hides, bales of slipe wool, bags of fertiliser and ingots of tallow it generated each working day. Normally this type of stricture was placed only on frozen meat. Frozen

meat was not only the most important of the commodities made at export slaughterhouses but it was the one for which there was usually the most storage on site. That is, the bans on loading out served notice on the management of freezing works that in some days or weeks their plant would need to cease operations, meanwhile the meatworkers could continue to work and earn.

The emphasis placed by the union on disrupting the share of throughput enjoyed by individual plant and firms (and threatening such disruptions) was matched by a disinterest in disrupting the flow of exports. Despite the years of intense industrial unrest in the processing sector of the industry, the export of meat and other collateral commodities (called by-products) was rarely ever curtailed. In other words, disharmonies in processing barely affected retail and final consumers in the export markets. The relative tranquillity in the flow of exports was partly a function of the standardised character of the main commodity, frozen meat. That is, a frozen carcass from Alliance, Lorneville was indistinguishable to one from AFFCo, Morewa, or any other plant in the country. The standardised character of products meant that they were effectively interchangeable and that any specific export order could be filled from a number of plants. Thus, in the rare cases where industrial action jeopardised an export order the targeted firm and the Meat Producers' Board could readily broker an arrangement to supply the affected customer from massive stocks kept in cold stores in New Zealand or overseas. Accordingly, to disrupt the flow of exports would have required the meatworkers' unions to stop work in the majority of freezing works and to do so for a sustained period. Such a coordinated effort was never attempted. Further, in many regards such a strategy was inimical to the union.

### **Conclusion: The splintering of union federations.**

Only eight years ago Cammock and Inkson (1988) came to the conclusion that in response to the troubles facing the industry management and labour in its processing sector had come to an accommodation which made paramount the viability of the existing actors in the industry. From the perspective of the meatworkers' unions such an accommodation reflected something of a truism: insofar as processing firms were weakened then the unions were empowered, but, insofar as they failed on a regular basis then the unions had something of a problem. However, despite its seeming encapsulation of the state of industrial relations at the time, the above assessment proved to be somewhat premature.

In short, the working out by the meatworkers' unions of the conundrum of how to organise and operate in an industry hit, ever increasingly, by the restructuring of overseas markets (see chapter 5) and by business failures (see chapters 7, 8 and 9) occasioned a significant splintering of its federated structure.<sup>11</sup> At this point, the exertions made by processing firms at new forms of integrated marketing forced a reworking of deals involving labour and management in processing plants. This demonstrated, somewhat paradoxically, that the influence by the meatworkers' unions over the markets for labour and stock was facilitated by the de-coupled (Weick, 1976) character of the linkages

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<sup>11</sup> The beginning of the end of the meatworkers' union reign can be dated to 1984. In that year, it was announced that representatives of employers in the industry, of the NZ Freezing Companies Association, were boycotting the official forum (established in 1974 on the recommendation of a Royal Commission of Inquiry) for discussions about the introduction of new technology. This and subsequent boycotts by employers and the attendance by the union at the forum was a reversal of occurrences in all the previous years. Then, the representatives of employers had attended and those of the union had boycotted the talks. This reversal in roles reflected a shift in the balance of power relations involving management and labour. Thereafter plant closures and redundancies forced the union ever more onto the defensive (Le Heron, 1988b: 18-22; Meat Industry Study, 1988).

between the labour processes in freezing works and the international marketing of meat (Cornish, 1995).

The mastery of the meatworkers' union over processing firms survived a massive de-skilling of craft work (dating from 1932-1933) and lasted until the mid 1980s. However, the ascendancy of what might be labelled a centrifugal dynamic in the unions was to be greatly enhanced by the passing of the Labour Relations Act (1987) and the Employment Contracts Act (1990). The longstanding legal arrangement of industrial relations in New Zealand was modified very significantly by the introduction of the Labour Relations Act. In particular, the Act was to outlaw the practices of two tier bargaining. The enhancement of formal and centrally negotiated Awards by unions through the levering-off of local deals was redefined as illegal, and the dualism of formal and informal practices of collective bargaining were collapsed.

Collective bargaining under the 1987 Act required that all the rates and conditions that were to pertain to any job were to be brought into the negotiation of the Award or (if involving a number of unions) the composite agreement. In law, rates and conditions that were not codified under an Award could not apply. The intention of the Labour Relations Act (1987) was to foster enterprise bargaining while at the same time a clause requiring a minimum membership (of 1000) was introduced for unions registered under the Act (Brosnan, Smith and Walsh, 1990; Deeks and Boxall, 1989). Where the 1987 Act was to modify, the Employment Contracts Act (1990) was to withdraw most of the longstanding state-sponsorship of unions. The Employment Contracts Act was to abolish the entire canon of industrial law in favour of the application of the law of torts (Boxall, 1991; Harbridge, 1993; Harbridge and Moulder, 1992). As a result of the 1990 Act an increasing number of processing firms in the export meat industry secured employment contracts that in no way related to the



commonalities of the 'National Award' and, in some cases, excluded membership of meatworkers' unions as a precondition of employment.

At the same time, the state-sponsorship of farmers in their dealings with processing firms and in the export markets (Dupre, 1990) did not find written or formal expression in the labour laws as they pertained to the processing sector of the export meat industry (Carter, 1990; Martin, 1984, 1987). Conversely, for several years (1976-1981) the Federation of Labour was able to appoint a representative to the Meat Industry Authority (MIA), a sectoral body charged with making recommendations to the Minister of Agriculture and Fisheries on issues of licensing (see chapter 5). However, I can find no record that the summit organisation of the union movement in New Zealand took up this proposal. Furthermore, this corporatist acknowledgment of the meatworkers' unions should not obscure the fact that it was the resolution of dilemmas in the industry affecting farmers and agribusiness firms, and made beyond the walls of the export slaughterhouses, that instituted the parameters of bargaining and straitened the organisation of work in processing (Edwards, 1986; Littler and Salaman, 1984; Littler, Quinlan and Katay, 1989). In many respects, farmers were the principals in this drama, while the unions and management were but bit players. In this regard, a frustration felt by farmers with processing firms and with meatworkers reawakened their desire to reform the processing sector.

## **Chapter 7**

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### **Waitaki: The development of an agribusiness firm.**

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#### **Introduction.**

What might be regarded as a general transition to agribusiness in the form of processing firms dominating an industry is not a simple process of bureaucratic rationalisation and control (Critchell and Raymond, 1912; Leopold, 1985). This chapter will reveal how politics of agriculture inhibit and disrupt any such process. This account will also show the intense politics involved in this process, the way in which different actors, including farmers and agribusiness firms, change their positions over time. The focus of this chapter will be on John Neilson, and his 'project' of rationalising the export meat industry through the mechanism of the 'Waitaki company' (Perriam, 1989). The account will reveal that any sociological account of rationalisation that does not include reference to the politics of state agencies and shareholders' ownership in firms is misguided.

The case study provides a chronology of events that describe the rise and fall of Neilson's company, Waitaki International. It documents the ways in which Waitaki International tried to force both a reworking of the networks in the export meat industry, and the forms of governance brokered by the Meat Producers' Board. Much of the relationship between Neilson and the Board was to be antagonistic, mainly due to the Board's stymieing of attempts by Neilson to force change on the networks in the industry.

The history of the business which was assembled as Waitaki International culminated in the greatest failure among any of the firms

which tried to span the international trade in meat. Rather than reworking the networks in the export meat industry and marginalising the Board by becoming the largest of all integrated agribusiness firms, Waitaki International was to end its days as the greatest debtor in the history of the industry. It is my argument that the collapse of Waitaki International evidenced a crisis of the agribusiness firms which secured the overseas markets and did so through the strategies of integration and wholesaling (Chandler, 1978). Hence, international agribusiness firms and the largest of local agribusiness firms found their efforts at making the markets they sold into ones which were more 'certain' (Salais and Storper, 1992) increasingly problematic.

Neilson attempted to make Waitaki International an integrated marketing company (Cornish, 1995). In making this effort he reworked a threat to farmers in local and global markets that was previously the exclusive domain of international agribusiness firms (see chapter 3). Insofar as Neilson's attempt to become an integrated marketer involved an attempt to by-pass the Board, it also entailed a reworking of political deals with farmers. This reworking involved his takeover of competitors and foreshadowed conditions of monopsony which farmers had always feared and resisted. From the farmers' point of view the threat of monopsony limited the numbers of buyers for stock in any farming district, and in the particular case of Waitaki, would provide it with a potential to transcend a reliance on the localised markets for stock in farming districts around New Zealand.

However, Neilson was to find his strategies of takeover and integration possible to implement only where: (1) the international agribusiness firms were clearly in the process of withdrawing from New Zealand and the networks in the export meat industry; and (2) the potential impact on the competition between firms for stock in the affected

farming district was minimal.<sup>1</sup> More significantly the Waitaki company was to prove unable to circumvent the authority of the Board. This was largely as a result of opposition from the statutory body during the late 1960s and 1970s.

The sudden bankruptcy (1989) of Waitaki International cannot however be read as a victory for the Board and farming. In the last years of its operation Waitaki International was to become integral to a form of rationalisation then being sponsored by the Meat Producers' Board. That is, the Board finally accepted that there were benefits from Neilson's rationalisation project and, in particular, from the creation of an integrated marketing firm owned in New Zealand. Thereafter the statutory body set out to defend the interests of family farming through the consolidation of meat firms. The Board operationalised its switch in policy by the creation of an investment arm (Freesia Meats) in 1985. Waitaki International was to then become the main beneficiary of this new policy and of investments made by Freesia Meats.

This change in policy by the Board, and the investments from the Board sponsored Freesia Meats coupled with the takeover of a number of Waitaki International's competitors, were largely instrumental in providing further pronounced shifts in ownership in the processing sector of the industry. Waitaki International then was central to the majority of upheavals that characterised the export meat industry in recent times. The most significant of these changes were, firstly, a shift in the key players proposing a reworking to the networks in the industry, and secondly, a transformation of the response by the Board to the agenda for rationalisation and specifically the building of large, locally owned, integrated firms to supplant the international agribusiness firms.

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1 'Control held by small investors in NZ Refrig.', *Christchurch Star*, 4/2/75.

This change in Board policy, in favour of a managed rationalisation of the processing sector, was not without problems. The Board was to be criticised for its handling of the tortuous 'rise' of Waitaki International but it also proved equally vulnerable to complaints about its response to the firm's precipitous 'fall'. For example, the Meat Producers' Board preferred to underwrite an orderly withdrawal from the export meat industry of some very large corporate investors in Waitaki International, although its decision to do so seemingly conflicted with its longstanding aim 'to obtain the highest possible net prices for the producer' (Hayward, 1972: 197).

These events, moves and counter-moves employed by the Board, by Neilson and the Waitaki company and by other firms raise questions about the role of agribusiness in the export meat industry. They also reveal the respective significance of particular actors like farmers and Neilson. His career was made and broken in his attempt to transform the positions of meat processing companies in the export meat industry. This was to bring him directly up against the Producers' Board and if in the end it was to adopt much of what he argued for it was only to be after he had been 'ceremonially' dumped by interests greater than his own.

### **The origins of Waitaki International.**

The Waitaki company was one of a number of farmers' processing companies established by local farmers after the First World War (see appendix 1). Farmers from the Waitaki farming district, which straddles North Otago and South Canterbury, were to become concerned that with the return to free trade (1921) they were being excluded from the buoyant export markets in Britain. The agitation for a Waitaki Farmers' Co-operative Freezing Company was one indication among many of

a belief among farmers that international and local firms were conspiring against them (see chapter 3).<sup>2</sup>

The extent of disquiet among farmers in the Waitaki district led in 1920 to some 369 individuals (mainly local farmers) to subscribe for shares in a new farmers' processing company (Perriam, 1989: 28). This surge in interest in the formation of a farmers' processing company was despite the fact that the Waitaki district was already encompassed within the catchment areas (for the procurement of stock) of four freezing works. New Zealand Refrigerating Company (NZR) operated processing plants at Pukeuri and Smithfield, Canterbury Frozen Meat (CFM) operated plants at Pareora, and South Otago Freezing (SOF) operated a processing plant at Finegand.

Waitaki was eventually floated as a proprietary company in which local farmers had a significant shareholding. The new farmers' firm was called the Waitaki Farmers' Freezing Company. Soon after its formation the new firm purchased the freezing works at Pukeuri from New Zealand Refrigerating (Loach, 1969: 81-82; Macdonald, 1957; Perriam, 1989). Unfortunately for the new owners of Pukeuri the end of the war time Commandeer (1915-1921) was followed by a sharp recession and the much hoped for boom in the supply of meat to the markets in Britain did not eventuate (see chapter 3). Rather, the ensuing down turn in agricultural prices took an immediate toll on the firms established during the Commandeer (see appendix 1). The dramatic slump in prices at Smithfield and along the food chain (Hayward 1972) forced the Waitaki company to retrench. In 1924 its

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2 Similarly, after a particularly bad year in 1909 for prices at Smithfield many farmers in Otago were quick to identify a conspiracy among firms. "According to Mr James Begg, an original director of the (South Otago Freezing) company... by about the beginning of 1910... there was a general belief that the two old established operators (New Zealand Refrigerating and Southland Frozen Meat) were 'getting their heads together' and keeping prices at a depressed level" (Strang, 1960: 1).

stock procurement and marketing operations were returned to New Zealand Refrigerating. For the next forty years the company retained a formal but not an operational autonomy.

The profits generated by the Waitaki company for its shareholders came from contracts with, firstly, NZR and (after the Second World War) with the British company, Vesteys. Thus, the Waitaki company operated as a sub-contracting processor from 1924 until 1965. In the case of its contracts with Vesteys, drafters employed by Vesteys secured all stock for the plant at Pukeuri while the marketing arm of Vesteys undertook the distribution and sale of the throughput.

In these first stages of establishment Waitaki International demonstrated the marginality of local firms in the networks in the export meat industry. The Waitaki company, like many local firms, was constrained by the Board on one side and by international agribusiness firms on the other, and acted as a sub-contractor to firms with forward links markets. This trade-off between the Board and international agribusiness firms suited farmers who were also free to use the firm's processing plant under the policy of the 'open door'.

The revival of the Waitaki company as an independent processing and marketing firm was predicated on a shift in the character of its shareholding. The firm was gradually bought out by non-farmer shareholders. A number of factors account for the shifts in the Waitaki firm's shareholding. Firstly, the guaranteed markets secured under the Bulk Purchase Agreement (1940-1954) and the general prosperity experienced thereafter allowed the company good profits. For example, in the decade 1959-1968 the return on shareholders' funds averaged 16% per annum (Nelson, 1982: 9-10). Such rates of return made the company an attractive proposition for investors not associated with farming. Secondly, the prosperity enjoyed by farmers and intervention by the Board on their behalf meant that investment in

processing was to become decidedly less urgent for local farmers (see chapter 5).

The Waitaki Farmers' Freezing Company therefore gradually ceased to be a farmers' firm. Its shares were traded beyond the Waitaki district and the farming community and it was transformed from its beginnings as a farmers' firm into (what was exalted by some commentators as) the exemplar of a proprietary business. This influx of non-farmer ('dry') shareholding in the Waitaki company was to alter the orientation of the firm (see chapter 3). It was reconstituted into a firm in which user-shareholders had little say, manifesting a marked decline in the provision of services to farmers (Perriam, 1989). In short, the shift in the character of shareholding promoted making profits and enhancing margins as new goals for the company (Curtis, 1992; Salais and Storper, 1992). The change in the ownership then had shifted the original farmers' focus on improving the prices received by local farmers for stock. The key issue was to become how to drive down these prices (interview, Director #1). Hence, the preferred scenario for doing business for the non-farmer shareholders in the Waitaki company was far removed from that brokered by the Meat Producers' Board. Further, 'dry' shareholding in the Waitaki company prefigured an effort for increased scale and integration in its operations and for a rationalisation of the networks in the industry.<sup>3</sup>

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3 The details of changes in shareholding in Waitaki were not recorded until legislation requiring such disclosures in 'Annual Reports' of firms was implemented in the late 1970s. As a result, the first available account of shareholding provides a record well after the beginnings of transformation. In 1980 the 'Annual Report' of Waitaki (then called Waitaki-NZR) highlights the extent to which shareholding had drifted away from local farmers. Rather, shareholding in Waitaki was marked by its relatively even geographic spread, and shareholders were domiciled throughout New Zealand. The North Otago/South Canterbury regions provided only 11.10% of shareholders. The Otago/Canterbury regions provided only a further 28.22% of shareholders. Wellington provided the greatest shareholding (33.42%), largely because it provided the location for the head offices of institutional shareholders. At the same time, shareholding in Waitaki was dominated by individuals rather than by institutions:- 13,658 individuals owned 58.33% of the



### **John Neilson's Project.**

No one-to-one correlation exists between shareholding and corporate strategy. The resulting challenges made by the Waitaki company to the Board and to farmers were always an expression of the decision-making and style of its managers (Fligstein, 1990). In this regard, John Neilson was an extraordinarily important figure. Neilson played the leading role in formulating and implementing the corporate strategies which shaped the development of Waitaki International (Meat Producers' Board, 1990). He was the dominant manager within the Waitaki company (Perriam, 1989). He started as an accountant with the firm and was to become company secretary (1955-1962), managing director (1963-1981) and chairman of the board of directors (1981-1986). Neilson was to resign in 1986 as chairman of the board of directors of Waitaki International only after Watties Industries had secured an absolute majority of shareholding in the company.<sup>4</sup>

Neilson began as an outsider to the industry and became a leading figure in it almost by accident. Neilson lived in the township of Waitaki where he chaired the board of trustees and taught occasionally at the local high school. His friendship with the then managing director of Waitaki led him very reluctantly to agree to audit the books of the firm. It was only as he checked the accounts of the Waitaki company that Neilson discovered how well-to-do the firm was. With this discovery he devised the project to better use the firm's hidden financial assets to buy out other firms. The death of the Neilson's friend created a vacancy in Waitaki which again he agreed to fill.

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company, the largest institutional shareholder owned only 6.4% of the company, the 20 largest shareholders owned just 25% of the company - including the managing director (John Neilson) with 0.4% of the company. 'Annual Reports' Waitaki Farmers' Freezing Company, 1954 - 1972; Waitaki Industries, 1973 - 1975; Waitaki-NZR, 1976 - 1985; Waitaki International, 1985 - 1988, Archives of E. J. Neilson.

4 'Driving force in meat trade dies', *Christchurch Star*, 12/3/90.

By the standards of other managers in the industry Neilson was an intellectual and a maverick. He was an avid reader of Joseph Conrad, an avowed socialist and member of the Labour Party. He publicly supported the unions, in particular the meatworkers' unions, and was deemed by other managers in the industry as being 'soft' on labour. It is not a coincidence that despite pressure to do so no processing plants were closed during his rule at the Waitaki company. Further, in the years after he was ousted from Waitaki International until his death (in 1990) Neilson was a vociferous critic of the new management at the firm when they began to close plants and to force redundancies. What is most important was that Neilson opposed the authority of international agribusiness firms, farmers, and the Board. Neilson's position was clear:

"Farmers have a powerful influence exercised through the New Zealand Meat Producers' Board as a statutory authority with specified powers of control. Separately they also exercise strong influence through Federated Farmers of New Zealand and also through influence on the elected Parliamentary representatives -all of which are concerned at the influence of the rural vote. Farmers must be seen to retain influence but not controlling influence. As suppliers of livestock and end recipients of market benefits they have a real interest in the efficiency of processing, transport, and marketing. On the other hand their influence cannot be one of control or dominance as such would stultify effective decision making by commercial organisations in processing, transport, and marketing better equipped to make effective decisions in those areas." (Neilson, 1983: 4).<sup>5</sup>

For Neilson the repositioning of farmers as influential rather than controlling was the condition for moving towards the development of Waitaki as a marketing company. He recognised the risk involved with this move:

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5 Neilson, E. J.,(1983), 'Planning for survival in the Meat Industry', Speech to the New Zealand Society of Accountants, Wellington Branch Convention, Wairakei, 17 September, Archives of E. J. Neilson.

"Waitaki decided to market- to take the trading risk on the sheep and lambs bought by the company drafters and cease to be a purely processing company. We considered then and we consider now that the New Zealand meat companies should trade in New Zealand meat in line with their financial resources." (Neilson, 1974).<sup>6</sup>

Neilson also argued that such trading in New Zealand meat required the Waitaki company to expand its scale of operations (Chandler, 1989, 1990). In other words, the development of his firm into an integrated agribusiness firm meant that it would have to match the scale of operation of the international agribusiness firms, notably Vesteys.

"New Zealand meat companies operate at a considerable disadvantage to our principal overseas competitor, Vesteys. Vesteys has operated with vision for longer: it has achieved a vertical integration of farms, processing works, ships, shops, wholesale marketing outlets and cold stores." (Neilson, 1976: 6).<sup>7</sup>

Neilson found his template for growth in the global operations of Vesteys (Knightley, 1981). Conventional arguments regarding the success of companies like Vesteys attribute much of the success to a combination of its large scale of operation and its thorough integration of the exchanges which, in part, comprise the networks in the industry (Chandler, 1978, 1990; Knightley, 1981). In the case of Vesteys, the execution of integrated marketing involved the ownership of farms in Australasia and the Americas and all the intermediary activities through to retailing in the markets in Britain. Much of the strategies pursued by Neilson represented an attempt at replicating the sway

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6 Neilson, E. J., (1974), 'Statement to investment managers, banks etc.' Wellington, 11 February, Archives of E. J. Neilson.

7 Neilson, E. J., (1976), 'Address to NZ Administrative Staff College', 14 October, Archives of E. J. Neilson.

enjoyed by Vesteys over the international trade.<sup>8</sup> Certainly Neilson was clear that this vertical integration and increased size involved the buy out of other domestic and international agribusiness firms. In addition, such scale of operation also provided for greater worker and union security.

The Waitaki Farmers' Freezing Company made its first foray into the export trade in over forty years following its purchase of a marketing outlet, the Stock Breeders' Meat Company in 1964. Stock Breeders was a British-owned and based company which had previously imported meat and by-products into Britain from New Zealand, Australia, Argentina, Uruguay, Rhodesia, Swaziland, and the USA. In 1965 Neilson terminated the contracts to supply Vesteys. Thereafter Neilson orchestrated Waitaki's marketing of its own meat and by-products in Britain, through the depots and butchers' shops owned by Stock Breeders. To reflect this expansion of activities the company was to become, for the next few years, the Waitaki Farmers' Freezing Company and Subsidiaries Limited.

Neilson made a concerted effort to build up Stock Breeders' share of exports. The North Auckland Farmers' Co-operative and R. L. Morris were persuaded to also use and become shareholders in Waitaki's new marketing arm in 1971. Similarly, the Alliance Freezing Company (after severing its own contract with Borthwicks) and W. R. Richmond Limited were to become minority shareholders in Stock Breeders in 1972. By the early 1970s Stock Breeders owned two retail shops and

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8 The involvement of Vesteys in New Zealand included a controlling interest in two shipping lines (Blue Star and ACT), banking and insurance operations, and a variety of processing, storage and marketing operations (W and R Fletcher, Weddell, Monarch Bacon Co. Ltd, Wanganui Mild Cure Bacon Co. Ltd, Union Cold Storage Co. (NZ) Ltd, Patea Freezing Co. Ltd, Amalgamated Products Ltd, New Zealand Stockfoods Ltd, Westfield Freezing Co. Ltd, Auckland Meat Co. Ltd, and others). ('Vestey family has big NZ interests', *Christchurch Press*, 13/10/80; 'Local meat firms question producer boards' priorities', *National Business Review*, 1/12/80).

seven depots in Britain, although its investment and throughput was fairly insignificant compared to that of Vestey's, Borthwicks, and the New Zealand owned wholesaling consortium of Towers (UK).<sup>9</sup>

In addition to the alliances with other firms Neilson also attempted to expand his firm by buying out its competitors in New Zealand. Consequently, the market shares enjoyed by the Stock Breeders in Britain were further increased as the Waitaki company expanded its share of the processing sector in New Zealand. What Neilson envisaged as a rationalisation of the industry was the distribution of meat to export markets through outlets like Stock Breeders (and later Towers) and the supply of this marketing organisation by a processing firm with plants that encompassed all of the farming districts in New Zealand. In this sense, Waitaki International was to become the first firm with forward links to overseas markets to operate its processing plants and stock procurement on a truly national scale (see appendix 2).

Neilson's project, the rationalisation of the industry, entailed the elimination of the relationship between local firms and local markets for stock. As a result, rationalisation was at odds with the forms of governance brokered by the Board. The Board's policy had been to ensure a multiplicity of firms in processing, each with its own catchment for buying stock (see chapters 3 and 4). Typically every farming district in New Zealand was encompassed by the catchments of several firms. These overlapping catchments allowed local farmers to be selective in selling stock, to continually shift allegiances to processing firms, and to play-off firms. The capacity to supply some firms with stock at the expense of others was central to the autonomy

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9 Neilson, E. J., (1974), 'Statement to investment managers, banks etc.' Wellington, 11 February, Archives of E. J. Neilson. In the late 1960s Towers (UK) supplied nearly six thousand retail shops from fifty-six depots (Loach, 1969; 167).

and prosperity of farmers. It was, as I have already explained above, mirrored in the configuration of control enjoyed by the meatworkers' unions within the plants (see chapter 6). As a result, any limitation of this forced competition for stock was perceived by farmers and the Board as foreshadowing conditions of monopsony in farming districts with its ruinous consequences for farmers (Gallo, 1977; Smith 1969).

### **The politics of local firms and catchment areas.**

Neilson's project, transforming the Waitaki company into an integrated agribusiness firm, was perceived by farmers and the Board not only or simply as a threat to procurement. Inherent to the project was the potential to secure marketing in an environment characterised increasingly by closures and saturation. From the perspective of farmers, integrated marketing companies constituted only one, albeit the most significant, of a host of middlemen (Stinchombe, 1961). Such firms could be acceptable if they could be regulated by farmers (see chapter 5). It was precisely because issues of marketing were perceived as being more pressing than issues of procurement that Neilson's project and Waitaki International were finally sanctioned by the Board. However, it was to take thirty years of struggle by Neilson until the Board reversed its policies and when it did the decision to foster and manage rationalisation was taken at his expense. Neilson was ousted from Waitaki International by the Board's new partners, the very large corporations of Watties Industries and Fletcher Challenge.

Before discussing the, post-Neilson, unfolding of the process of rationalisation it is useful to examine the manoeuvring and political deals that accompanied each of the takeover bids from Neilson for competitors of the Waitaki company. These included bids for Canterbury Frozen Meat (1968), Swifts (1973), South Otago Freezing (1974), Nelson Freezing (1974), New Zealand Refrigerating and Towers (1975) and Borthwicks (1986). In each case issues of marketing and

monopsony and the trade-offs they engendered were crucial to the success, failure or blocking of Neilson's takeover bid. In each case a range of actors including the Board, farmers' groups, shareholders in the marked firms and the Minister of Agriculture applied their own criteria to assess the bid.

Among this nexus of issues and actors the freeing of the Minister of Agriculture from a statutory requirement to act on the recommendations of the Meat Producers' Board is significant. This enablement of the Minister was attained through an Order-In-Council by the Labour Government in 1975 and was passed into law, under the subsequent National Government (1975-1984), by the Meat Amendment Act (1976). These moves began the removal of decision-making on licensing to the Ministry of Agriculture and Fisheries in 1981. After 1975 the Minister declined to again use his powers under section 12 of the Meat Amendment Act (1976) to disallow takeover bids. Some writers (Bartley, 1987) state that the enablement of the Minister directly weakened the Board, however such arguments tend to ignore the shift in emphasis to the issues of marketing and monopsony, and down play the Board's role in franchising export markets (see chapter 5).

Neilson's bids for the Waitaki company to buy out its competitors were directed at domestic and international agribusiness firms. Nearly all the takeovers were carried out in competition with other local firms and in the case of Southland Frozen Meat (SFM), Canterbury Frozen Meat (CFM), and New Zealand Refrigerating (NZR) the eventual success of Waitaki International in becoming an integrated agribusiness firm effectively doomed its close rivals. Without the possibility of growing further these firms were themselves bought out (NZR by the Waitaki company in 1975, CFM by Primary Producers' Co-operative Society in 1980, SFM by Fletcher Challenge in 1983). When viewed in this light the dilemmas of building an integrated marketing

company become not so much whether the project should have been allowed, but who should have been allowed to attempt it.

In 1968 Neilson attempted to purchase Canterbury Frozen Meat (CFM).<sup>10</sup> A takeover of CFM was attractive to Neilson mainly because the purchase of the freezing works at Fairton, Belfast, and Pareora, then owned by CFM, would have quadrupled Waitaki's share of processing capacity and would have enabled an expanded throughput for Stock Breeders.<sup>11</sup> The catchment of CFM extended through much of the Canterbury and Otago regions. With the purchase of CFM Neilson and Waitaki would have been transformed from a small player into a relatively large player in both the New Zealand and the international markets (interview, Manager #3).<sup>12</sup>

This first attempt by Neilson to purchase a competitor failed largely because it was perceived by the Board, local farmers and the powerful Canterbury division of Federated Farmers to threaten to 'reduce competition' for stock (Neilson, 1982). The Waitaki firm and CFM indeed had overlapping catchments in Waitaki region and throughout the Otago and Canterbury regions (see appendix 2). At the same time, Neilson's bid for CFM, one of the first meat firms established in New Zealand and still associated with the landed gentry in Canterbury (Eldred-Grigg, 1980; Macdonald, 1957) was an

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10 'CFM move good for Canterbury', *Christchurch Press*, nd/10/72.

11 Bennett, F., 'untitled' *Christchurch Star*, 13/12/68.

12 The respondent had been a very senior manager in Waitaki International and another meat firm. He had begun work as a stock buyer and eventually climbed all the rungs of the corporate ladder. The respondent was extremely critical of the Board. He minimised the chances of new entrant firms, like Fortex, reforming the industry while the Meat Producers' Board retained its statutory powers. For the respondent joint ventures involving the best farmers, firms and overseas interests constituted the way forward and, in this regard, the Board was presented as a major stumbling block. Since the failure of Waitaki International he had become a farmer and specialised in breeding new types of livestock. He also represented a foreign firm that wished to buy processing facilities in New Zealand.



audacious challenge to longstanding political deals (Neilson, 1982). Rather than accept the offer from Neilson the shareholders of CFM looked to Borthwicks (an international agribusiness firm) to solve their firm's problems in marketing.

CFM lacked a marketing arm of its own and tried to resolve its problems in securing forward links into the markets in Britain by sub-contracting to Borthwicks. The contracts involved CFM operating solely as a sub-contracting processor while Borthwicks took over the marketing of its meat. Borthwicks purchased a 20% share in CFM. At the same time, CFM purchased Borthwick's freezing works at Belfast (called the Canterbury works to distinguish it from another plant in Belfast already owned by CFM). While this alliance of domestic and international interests resolved the issues of marketing for CFM, it simultaneously forced the local firm to honour a number of convertible notes issued to it by Borthwicks.<sup>13</sup> These bonds were due to become eligible for dividends in 1975 and 1977.<sup>14</sup> It is indicative of the trepidation felt by local farmers and the Board towards any process of rationalisation that this arrangement which secured a sizeable share of the 'kill' in the South Island to a British-owned firm should evoke considerably less outrage than the offer from Neilson (McNulty, 1958; Neilson, 1982; Loach, 1969).

Success in small time marketing alliances in Britain and failure in takeovers in New Zealand was not a recipe for growth. Following the combined rebuff by the shareholders of CFM, Neilson engaged in a series of diversifications that effectively lifted the Waitaki company outside of the export meat industry. In October 1965, the firm purchased Tekau Knitwear (with woollen factories in Timaru and

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13 'Belfast works changes hands for \$2 million', *Christchurch Press*, 22/12/72; 'Borthwicks to sell CFM meat', *Christchurch Press*, 14/10/72.

14 Bennett, F., 'Swift NZ faces problem of further profits', *Christchurch Star*, 12/5/73.

Ashburton) in October 1969. In the following year it acquired two hotels, the Town House (Wellington) and the Moray Motel (Dunedin). These diversifications increased the capital backing of Waitaki and at the same time provided it with some supplementary forms of income.<sup>15</sup> They did not, however, satisfy Neilson's plans for the company and the export meat industry.

Neilson recognised that it was the long-standing links between the National Government and the more conservative elements in farming and the processing sectors that had played a significant part in the debacle with CFM. He was friendly with senior members of the Labour Opposition and with Colin Moyle who would become Minister of Agriculture after the change in Government in November of 1972. In this regard, contingent events such as the election of the third Labour Government (1972-1975) were to provide a definite window of opportunity for him. In addition, whilst waiting for 'the right time to move', Neilson sponsored a series of discussions between firms in the South Island. These meetings were held in early 1972. The meetings originally took place between the Waitaki company, CFM, NZR, Southland Frozen Meat (SFM) and South Otago Freezing (SOF). The agenda concerned the possibility of mutually advantageous mergers between combinations of these processing companies.<sup>16</sup> Southland Frozen Meat exited the discussions soon after they began. CFM did likewise to pursue its own arrangements with Borthwicks but the continuing discussions with South Otago Freezing and New Zealand Refrigerating were to become the basis for their subsequent takeovers bids by Neilson.<sup>17</sup>

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15 'Can the meat industry find the finance?', *Christchurch Star*, 21/8/71.

16 'No progress on merger, says Waitaki', *Christchurch Star*, 10/2/72; 'Freezer talks lapse', *Otago Daily Times*, 30/6/72.

17 'NZ Refrig. sees merger gains', *Christchurch Star*, 19/2/72; Radford, H. J., 'Letter to the Minister of Agriculture', Archives of E. J. Neilson, 25/1/74; South Otago Freezing Company, (1974), *Report of Managing Director*, South Otago Freezing Company, Balclutha.

In 1973 the takeover of Swifts (NZ) reinforced moves by Neilson to make the Waitaki firm into an integrated agribusiness firm. Swifts (NZ) represented the local business-arm of an international agribusiness firm that was then in the process of retrenching its operation in New Zealand.<sup>18</sup> Swifts were one of the 'big three' firms that had first dominated the meatpacking industry in the United States and then (alongside Armour and Vesteys) became a major player in international trade (Critchell and Raymond, 1912; Chandler, 1978, 1990; Portz, 1991). The fortunes of Swifts (NZ) in the post-war period foreshadowed the withdrawal of international agribusiness firms from New Zealand that would culminate with the exit and liquidation of the local business-arms of Borthwicks (1986) and of Vesteys (1994).<sup>19</sup>

A number of local firms appeared interested in buying the balance of Swifts (NZ). Its catchment for stock, surrounding its lone processing plant at Wairoa, was Hawkes Bay, a region on the east coast of the North Island (see appendix 2). Waitaki, CFM, and the Hawkes Bay Farmers' Meat (HBF) were all suggested by the media as potential buyers.<sup>20</sup> However it was Neilson who presented a takeover bid to the shareholders of Swifts (NZ) in July 1973. The bid was welcomed by local farmers, the Board, the Labour Government and in particular his close associate, Colin Moyle, the Minister of Agriculture. This range of support for Neilson reflected the minimal impacts on procurement from the movement of the Waitaki company into the east coast of the North Island, and the greater interest of the Labour Government in the fate of the processing firms and indirectly the meatworkers' unions in

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18 'Swift shareholders await takeover offer', *Otago Daily Times*, 28/7/73.

19 Bennett, F., 'Swift NZ faces problem of future profits', *Christchurch Star*, 12/5/73.

20 anon, 'Don't sell from Swift - is it Waitaki?', 17/7/73.

New Zealand. The bid from Neilson was readily accepted by the shareholders at Swifts (NZ).<sup>21</sup>

After the takeover Waitaki sold some of the land surrounding the Ngauranga freezing works for \$6 million. This transaction generated an final profit for the entire takeover of \$2 million for Waitaki.<sup>22</sup> The influx of these funds into the enlarged company's coffers greatly enhanced its capacity to initiate further takeover bids. Following the takeover of Swifts (NZ) Waitaki again changed its name becoming Waitaki Industries Limited in 1973.

In late 1973 two competing takeover offers were made for South Otago Freezing. Neilson made one bid and Southland Frozen Meat (SFM) the other. South Otago Freezing (SOF) operated a processing plant at Finegand.<sup>23</sup> Its catchment for stock was centred on the Tairei plains of mid Otago, a region on the lower east coast of the South Island (see appendix 2). The bulk of its sheepmeats, including all of the throughput from Finegand, were purchased and marketed by Borthwicks.<sup>24</sup> In other words, SOF was a sub-contractor and occupied a similar position in the division of processing and marketing to CFM and to the Waitaki company prior to Neilson buying Stock Breeders in 1964.

Both Neilson and SFM emphasised the benefits in their bids from a rationalisation of processing and enhanced marketing. Similarly, both companies stressed that any rationalisation of processing would come

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21 Moyle had been publicly critical of the earlier decision by Swifts NZ to run down and to close the Ngauranga freezing works. The Labour Government and the Producers' Board both supported the return of an increased volume of export meat to New Zealand control.

22 anon, 'Profitable takeover', nd.

23 'Big meat industry merger is likely', *Christchurch Star*, 18/10/1973.

24 anon, (1974), 'Report of the Managing Director', *South Otago Freezing Company*, Dunedin, July; 'Benefits from freezing companies' merger', *The Farmer*, 12/11/73.

from the more efficient use of capital and not from any reduction in the competition and prices for stock. These assurances were made to allay the recurring fears of farmers that any rationalisation in processing inevitably equated with monopsony in stock procurement.<sup>25</sup>

Between late 1973 and early 1974 Neilson and SFM engaged in a bidding war for shares in SOF. The end result of this competition was indecisive and neither Waitaki nor SFM secured a majority of shareholding.<sup>26</sup> However, the then Chairman of the Meat Producers' Board (Sir Charles Hilgendorf) identified two clear advantages, in his assessment, of the bid from Neilson over that of SFM: (1) the Waitaki company bid provided greater scope for continuing competition over stock; (2) the increased throughput to Stock Breeders would have greater significance in marketing.<sup>27</sup> As a result, the issue of which firm could buy SOF was resolved by the Board which used its statutory powers, defined under section 12 of the Meat Act (1964), to block the bid from SFM.

Further, the Minister of Agriculture, Colin Moyle, stated that it was not in the best interests of farmers for the issue of takeover to be resolved by competition between the Waitaki company and SFM as this process would ultimately result in the victorious company passing on its costs to farmers.<sup>28</sup> This ruling effectively halted the shareholders in SOF from

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25 'Profit for all in \$8m meat deal', *Christchurch Star*, 27/10/1973.

26 'SFM to make offer for SOF', *Christchurch Press*, 4/12/73; 'Waitaki to discuss third offer', *Christchurch Press*, 11/1/73; 'Counter bid for South Otago Freezing', *Oamaru Mail*, 3/12/73; 'Merger in meats', *Otago Daily Times*, 6/12/73; 'Waitaki raises bid for Balclutha firm', *Otago Daily Times*, 8/1/74; 'Takeover battle nears climax', *Otago Daily Times*, 11/1/74; 'Is SFM pushing the stakes too high?', *National Business Review*, 21/1/74.

27 'Waitaki bid favoured', *Christchurch Press*, 18/1/73; 'Govt. asked to explain support for Waitaki', *Dominion*, 28/3/1974.

28 'Govt. blocks SFM \$9m takeover bid', *Christchurch Star*, 26/1/74; 'Why the SFM bid was blocked', *Christchurch Star*, 29/1/1974.

selling their shares to the highest bidder.<sup>29</sup> Another important factor affecting the decision of the Minister was the composition of the bid from SFM. This contained a substantial cash element which created the potential for capital to exit the networks in the industry at the time when increasing emphasis was being placed by the Labour Government on the upgrading of processing plants.<sup>30</sup>

The board of directors of the SOF immediately accepted the remaining offer,<sup>31</sup> but minority shareholders greeted the decision with hostility. Regardless of minority opposition Neilson successfully obtained a 90% shareholding of SOF at which point the firm was required to become its wholly-owned subsidiary.<sup>32</sup> Neilson tolerated the existing contracts between SOF and Borthwicks to continue only until the start of the next (1975-1976) killing season. Thereafter all the stock processed at the Finegand were distributed through Stock Breeders in Britain.<sup>33</sup>

Nelson Freezing (NF) was a small domestic meat company that operated for many years as a sub-contractor and without forward links into the export market (see appendix 2). The firm ran a small freezing works at Nelson and the bulk of its throughput was actually destined for the domestic market, only about 100,000 head of lamb, per

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29 'Dangerous precedent', *Southland Times*, 14/2/74.

30 'untitled', *Dunedin Star*, 12/1/74.

31 'SOF directors will take Waitaki offer', *Christchurch Star*, 29/1/74; 'Waitaki merger criticised and questioned', *Christchurch Star*, 14/2/74.

32 'SFM disappointed by decision', *Christchurch Press*, 29/1/74; 'SOF recommends remaining offer', *Christchurch Press*, 30/1/1974; 'Would the SOF company remain independent', *Christchurch Press*, 9/2/1974; 'Waitaki and SOF will merge', *Christchurch Star*, 1/3/1974; 'Waitaki', *Christchurch Star*, 24/8/74; 'Shareholders query planned takeover', *Otago Daily Times*, 12/2/74; 'SO chairman challenges SO opponents', *Otago Daily Times*, 14/2/74; 'Govt. degree termed 'dangerous'', *Otago Daily Times*, 14/2/74; 'Plan to disrupt merger by share manipulation', *Otago Daily Times*, 23/2/74; 'Directors accuse shareholders over motives in takeover bid', *Otago Daily Times*, nd; 'Shareholders up in arms', *Southland Times*, 14/2/74.

33 'Dispute between Waitaki - NZR and Borthwicks', *Evening Post*, 6/11/76.

annum, were exported to the markets in Britain.<sup>34</sup> This was meat sold through a British meat importer.<sup>35</sup> The catchment area of NF was the valleys of the Nelson Bays and throughout the region of Marlborough, a region on the north coast of the South Island (see appendix 2). The deciding element in the assessment by the Board between the bids from Neilson and SFM had centred on the increased threat of monopsony in buying stock. The issues of marketing and monopsony were repeated in the contest between Neilson and CFM in their bids for Nelson Freezing (NF).<sup>36</sup> Thus, Neilson and CFM made competing bids for NF in 1974, but the takeover finally was resolved by the Board which used its statutory powers to block the bid from CFM.

NF and CFM had overlapping catchments and were competitors for stock in Marlborough. Waitaki did not employ stock drafters in Marlborough. Local farmers and the Board expressed concern that a takeover by CFM of NF would eliminate competition for stock in Marlborough, whereas a takeover by Neilson would not affect the competition and prices for stock. At the same time, CFM was tainted by its marketing arrangements with Borthwicks. This agreement had left Borthwicks with a 20% holding in CFM. Borthwicks would retain a 15.5% holding in an enlarged CFM if it bought NF. Neilson petitioned the Board and stressed these links between CFM and Borthwicks. In this regard, Neilson, playing both a national interest card and argument about processors that had been used against his own plans elsewhere, claimed that these links had 'weakened the New Zealand element in the meat processing industry'. He further stated that the proposed takeover did not fit with CFM strategies. Neilson claimed

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34 Bennett, F., 'Cat and mouse game at meat works' *Christchurch Star*, nd.

35 'Two bids for Nelson meat company', *Christchurch Press*, 23/5/74.

36 Bennett, F., 'Waitaki and CFM collide on Nelson takeover', *Christchurch Star*, 22/5/74; 'Waitaki in Nelson', *Christchurch Star*, 9/5/74, 'No standing on sideline for Mr Moyle', *Christchurch Star*, 23/5/74; 'Is Waitaki the bidder?', *Evening Post*, 9/5/74, 'Nelson Freezing target of takeover bids', *Evening Post*, 22/5/74).

that the proposed takeover would actually only benefit Borthwicks and that the takeover was the brain-child of that firm's general manager, who was also a director at CFM (Neilson, nd).<sup>37</sup> The Minister publicly agreed with the Board's decision to block CFM and, like Neilson, cited the need to expand the share of New Zealand-control in marketing (Loach, 1969; McNulty, 1958).<sup>38</sup>

However, the board of directors at NF fully supported the takeover bid from CFM. They opposed the offer from Waitaki on the grounds that the assets of NF were unlikely to be fully utilised by an enlarged Waitaki and that this under utilisation would be detrimental to any minority shareholders.<sup>39</sup> The minority shareholders were concerned that the limited capacity of the Waitaki company to rationalise procurement and processing at Nelson in comparison with that of CFM would restrict profits and thereby dividends. In other words, the minority shareholders and the Board made identical assessments of the likely impact of Neilson's and CFM's bids.<sup>40</sup> After several weeks of intense public debate regarding the future of the NF, Neilson secured sufficient shareholding to transform it into a wholly-owned subsidiary and to eliminate the troublesome minority shareholders.<sup>41</sup> At the same

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37 Neilson, E. J., (nd), 'Speech notes', Archives of E. J. Neilson.

38 'Borthwicks link stopped CFM', *Christchurch Press*, 12/7/74.

39 Drummond, A. R., 'Letter to NFC shareholders', *Nelson Freezing Company*, Nelson, 17/ 7/ 1974; Valentine, J. A., 'Letter to NFC shareholders', *Waitaki Industries*, 19/7/74.

'Waitaki bids for Nelson', *Christchurch Press*, 5/7/74; 'Waitaki bid over to NFC holders', *Christchurch Star*, 25/7/74; 'Waitaki takeover raising doubts', *Oamaru Mail*, 25/7/74; 'Doubts on Waitaki takeover', *Southland Times*, 25/7/74.

40 'Information sought', *Christchurch Press*, 30/7/74; 'Meeting to discuss NFC offer', *Christchurch Star*, 30/7/74.

41 'CFM can get along without NFC', anon, nd; 'Nelson works may expand', *Auckland Star*, 3/8/74, 'Waitaki may extend Nelson offer', *Auckland Star*, 16/8/74, 'Nelson board to accept Waitaki', *Auckland Star*, 23/8/74, 'Waitaki has 92.3% of Nelson Freez.', *Auckland Star*, 3/9/74; 'NFC shareholders favour Waitaki', *Christchurch Star*, 7/8/74, 'Nelson to take Waitaki bid', *Christchurch Star*, 23/8/74; 'Waitaki chairman denies plans to close Nelson plant', *Otago Daily Times*, 3/8/74, 'Nelson directors advising on



time, it was necessary for Neilson to allay the fears of local farmers. Hence, Neilson pledged to welcome farmers and the Primary Producers' Co-operative Society (with 9000 farmer-shareholders in the South Island) killing stock for consignment at Nelson.<sup>42</sup>

The New Zealand Refrigerating Company (NZR) was the largest of the local firms and its catchment stretched along the entire east coast of the South Island. By 1975 NZR owned freezing works at Imlay, Picton, Islington, Smithfield and Burnside as well as a majority share in the marketing consortium Towers (UK) (see appendices 1 and 2). However, from the mid 1960s NZR began to experience drastic fluctuations in its profit and evidenced problems in marketing from the new uncertainties of the markets in Britain.<sup>43</sup> Further, generous share issues by NZR in 1965 and 1966 had left the firm decidedly under capitalised.<sup>44</sup> NZR had been supportive of discussions about mergers in 1972 and after these were adjourned held further talks with Neilson.<sup>45</sup> But the talks between the managers of NZR and Neilson were disrupted in February 1975 by a takeover bid from Southland Frozen Meat (SFM).<sup>46</sup>

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takeover situation', *Otago Daily Times*, 16/8/74, 'Waitaki reports 25 percent acceptance from Nelson', *Otago Daily Times*, 17/8/74, 'Waitaki offer unconditional', *Otago Daily Times*, 27/8/74.

42 'untitled', *National Business Review*, 31/7/74.

43 'NZ Refrig. encounters vagaries of international trade', Bennett, F., *Christchurch Star*, 29/1/72; 'NZ Refrig. profit tumbles', *Christchurch Star*, 10/12/70, 'No progress, on merger, says Waitaki', *Christchurch Star*, 19/2/72, 'NZR cautious on 1974 prospectus', *Christchurch Star*, 1/3/1974;

'Unprecedented move by NZ Refrigeration', *Evening Post*, 15/10/71.

44 'NZR in weak position but not a pushover', *Christchurch Star*, nd.

45 'And what of Waitaki?', *Christchurch Star*, nd.

46 A combination of SFM and NZR would then have produced a firm with 7 freezing works and a throughput of 7 million head of sheep and lamb, per annum. Such a throughput would have approximated 30% of all annual sheepmeat exports. 'Big takeover battle looms', Bennett, F., *Christchurch Star* 1/2/75.

The bid from SFM was rejected by the board of directors at NZR. The board of directors at NZR considered that the combination of processing and marketing it proposed offered minimal scope for rationalisation. In other words, they made precisely the same arguments as did the minority shareholders of Nelson Freezing. The catchments of SFM and NZR were separated by the catchment of the Waitaki company. Waitaki and NZR had overlapping catchments.<sup>47</sup> Conversely, the bid from Neilson was favoured by the board of directors at NZR because of the potential benefits to an enlarged firm from the rationalisation of procurement and processing. Hence, the bid from Neilson raised the possibility, to local farmers and the Board, of a monopsony within the farming districts of the Southland/South Otago regions.<sup>48</sup>

In bidding for NZR, Neilson and SFM occupied positions which were almost the reverse of those they had done in their contest over the SOF. In that show-down (and the later one with CFM over NF) Neilson had won the support of the Board precisely because his bid adhered to Board policy insofar as it offered a lesser potential for forcing monopsony.<sup>49</sup> In this case, the Board remained consistent in its assessment of the implications for farmers and its contention that any rationalisation of processing and procurement prefigured lower prices for stock. The Board accordingly announced its opposition towards the Waitaki bid, and its support for SFM's bid.<sup>50</sup> The chairman of the

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47 'Well produced NZR booklet gives directors reasons', *Christchurch Press*, 23/5/75.

48 Similarly, a better potential for rationalisation and improved utilisation of processing had been the main factor for the support by the board of directors at the NF for the CFM bid in contrast to the bid from Waitaki.

49 Neither bid proposed to change much in marketing as Waitaki and SFM already used their own marketing outlets (SFM and NZR were partners in Towers (UK)) (Loach, 1969). 'No advantages in industry merger -NZR', *Christchurch Star*, 29/3/75; 'Wait for it- best advice in NZR deal', *NZ Mercantile Gazette*, 1/4/75; 'SFM down but not out', *National Business Review*, 2/4/75.

50 'Meat Board on merger plans', *Christchurch Press*, 2/5/75.

Board stated that a takeover of NZR by Waitaki would create a monopsony in the lower South Island.<sup>51</sup> He made recommendation to the Minister of Agriculture to approve the SFM bid and to block the Waitaki bid.<sup>52</sup>

However, the new Labour Government was committed to the repeal of the Meat Act (1964) which would remove the directive for the Minister of Agriculture to follow the recommendations of the Board. The Minister subsequently indicated that he preferred to allow the operation of 'market forces' to determine what firm succeeded with the takeover of NZR. The refusal of the Minister to follow the recommendation of the Board reveals much about the politics of stock procurement and catchment areas. At the last minute opposition was expressed by farmers to both takeover bids. The Primary Producers' Co-operative Society (PPCS) urged the Minister to block both bids on the grounds that they would restrict farmers access to processing and result in higher killing charges.<sup>53</sup> The Canterbury division of Federated Farmers subsequently rescinded its support for the SFM bid in favour of a farmers' co-operative acquiring the major share in NZR. Then, PPCS and Federated Farmers made submissions to the Government seeking funding for the establishment of a farmers' co-operative in the North Otago and South Canterbury region, the original catchment of the Waitaki company (Hunt, 1975).<sup>54</sup> In this regard, the debacle contributed directly to passing of the Meat Amendment Act (1976).

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51 'Farmer opposition to NZR - Waitaki merger', *Evening Post*, 29/4/75.

52 'Board 'no' to merger', *Auckland Star*, 14/5/75; 'NZR - Waitaki merger opposed by Board', *Otago Daily Times*, 15/4/75; 'Waitaki - NZR merger vetoed: Meat Producers' Board sees monopoly threat', *Timaru Herald*, 15/4/75. 'Waitaki and NZR merger terms set', *Dominion*, 24/4/75; 'Waitaki, NZR in agreement', *Evening Post*, 23/4/75; 'NZR - Waitaki proposal awaits Minister's word', *Otago Daily Times*, 24/4/75.

53 'Farmers hope to stop freezing works merger', *Christchurch Star*, 29/4/75; 'PPCS hits out at Waitaki - NZR merger', *Timaru Herald*, 29/4/75.

54 'Producer interest shown in NZ Refrig. Co. takeover', *Northland Times*, 3/5/75; 'Concern at takeovers', *NZ Herald*, 3/5/75).

As a result of the decision of the Minister to allow the trading in NZR shares, Neilson and SFM pressed on with their bids.<sup>55</sup> However, it was Waitaki that carried the day in late 1975.<sup>56</sup> After the acquisition of New Zealand Refrigerating the Waitaki company again changed its name to become Waitaki-NZR.<sup>57</sup> This version of Waitaki owned 9 freezing works. The export slaughterhouses owned by Waitaki represented approximately 25% of processing capacity (Hartley, 1989: 38; Waitaki-NZR, 1981: 3) and a sizeable share of the meat shipped from New Zealand belonged to Waitaki.<sup>58</sup>

Borthwicks was a British-owned company operating largely in the Taranaki and Manawatu regions of the western and southern North Island, although it had used contracts with a number of local firms to augment the supply of its marketing-arm with frozen meat (see appendix 1). The firm experienced mounting problems with its international operations through-out the 1960s, 1970s and 1980s (Harrison, 1963).<sup>59</sup> Borthwicks problems were diagnosed as an over-reliance on the supply of the markets in Britain from Australasia (Harrison, 1963), compounded by the mounting restrictions imposed by

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55 Bennett, F., 'Southland get the cold shoulder', *Christchurch Star*, nd; 'SFM raises div. in renewed drive', *Christchurch Star*, 29/8/75; 'SFM still in', *Otago Daily Times*, 29/8/75, 'Merger moves no good for farmers', *Otago Daily Times*, 29/8/75; 'Legal bid by SFM', *Southland Times*, 24/9/75.

56 The defeat of Southland Frozen Meat in both of its bids, for SOF and for NZR, meant the firm was unable to expand its scale of operation. A merger with either Waitaki or CFM was predicted at the time and Southland Frozen Meat was subsequently to be bought by Fletcher Challenge (Lind, 1981). Hall, T. W., 'Meat industry battle nearing bitter end for SFM', *Reuters*, nd.

57 'Annual Reports' Waitaki - NZR, 1976 - 1985, Archives of E. J. Neilson.

58 In 1976, Waitaki slaughtered in excess of 7 million stock. In the three years following the merger with NZR, Waitaki processed about 18.5% of the sheep, 23.8% of the lambs, and 6.3% of the beef cattle exported from New Zealand (Economic Service: 1981: 16; Waitaki-NZR 1981: 17). The company retained ownership of around half of this kill, which it marketed primarily through Stock Breeders and Towers (UK). 'Merger benefits on the way', Bennett, F., *Christchurch Star*, 20/4/76.

59 Vaughan, R., 'Victim of meat price volatility', *Financial Times*, 17/12/80.

the European Community. Various attempts by Borthwicks to diversify in Britain and to form alliances in New Zealand had met with only limited success.<sup>60</sup> For example, a public float undertaken on the British stock exchange in 1976 with a face value of £15 million was under subscribed by 98.4%.<sup>61</sup>

Borthwicks sold off its 23% holdings in CFM in 1980.<sup>62</sup> These problems excited speculation that Borthwicks would exit New Zealand,<sup>63</sup> and were proved correct when in 1986 Neilson announced that he had completed the purchase of all Borthwicks remaining interests in New Zealand.<sup>64</sup> The response to Neilson's purchase of Borthwicks was similar to that surrounding the earlier buy out of Swifts. This particular takeover had received the formal blessing of both the Board and the Minister of Agriculture well before its public announcement. On the

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60 The Co-operative Wholesale Society exited New Zealand in 1977. Its Ocean Beach works was sold to the Alliance Freezing Company. Its Longburn freezing works was sold to Borthwicks and initially operated as a 'merged' firm, Borthwicks - CWS. "The chairman of the Meat Board (Sir Charles Hilgendorf) said that he thought the proposal was sensible. Maintenance of individual buying operations would ensure that farmers in the southern North Island would still be able to 'shop around' before committing their stock for slaughter." 'Meatworks to merge', *Christchurch Press*, 15/2/77; Vaughan, R., 'Borthwick's nominal dividend payment', *Financial Times*, 17/12/80; 'Profits butchered at Borthwicks', *Financial Times*, 17/12/80.

61 'Borthwicks public share issue a flop', *Christchurch Star*, 31/7/76.

62 'Borthwicks sells CFM holding', *Christchurch Press*, 13/9/80; 'CFM holds talks with Borthwicks', *Christchurch Star*, 20/8/80.

63 'Borthwicks 'will stay'', *Christchurch Press*, 18/12/80, 'UK banks consider Borthwicks' future', *Christchurch Press*, 9/1/81, 'Borthwicks finance rearranged', *Christchurch Press*, 21/1/81, 'Borthwicks' troubles almost over', *Christchurch Press*, 31/1/81; 'Borthwick still big loser', *Christchurch Star*, 13/5/81.

64 In this context, the Meat Producers' Board indicated that it would prefer CFM, already part-owned by Borthwicks, to attempt a reverse takeover, although such an investment subsequently proved beyond CFM. This share in CFM and the balance was eventually acquired by the Primary Producers' Co-operative Society. Bennet, F., 'Horns of a dilemma', *Christchurch Star*, 23/8/80; 'Board favours CFM', *Christchurch Press*, 23/8/80, 'Waitaki's biggest coup coming up', *Christchurch Star*, nd; 'Apex trebles result', *Christchurch Press*, 23/5/80; Fyfe, D., 'Farmers approve sale of works', *Christchurch Press*, 24/5/86, 'Farmers' view' *Christchurch Press*, 13/6/80.

one hand, the benefits in marketing were apparent to farmers and Board alike. On the other hand, all of Borthwick's surviving plants were in the North Island where the Waitaki company had only a single plant at Wairoa (see appendix 2).

After securing the takeover the company again changed its name, to Waitaki International.<sup>65</sup> The purchase by Waitaki International of the four freezing works then wholly-owned by Borthwicks seemingly represented the culmination of John Neilson's project.<sup>66</sup> Neilson's control over a large section of the export meat industry was however to push him into direct opposition to the Board's control over shipping contracts which secured access to overseas markets.

### **The politics of shipping to export markets.**

With the takeovers over and integration of Stock Breeders (1964), Swifts (1973), South Otago Freezing (1974), Nelson Freezing (1974), New Zealand Refrigerating (1975), Towers (1975) and Borthwicks (1986), Waitaki was consolidated as a large integrated marketing firm. One of the important areas which Neilson wished to apply the new company's nascent economies of scale and integration was in shipping. In particular, Neilson attempted to improve on the 'averaged' freight rates that Waitaki was forced to pay as result of the shipping contracts negotiated by the Meat Producers' Board with the Conference Lines. However, any savings in freight rates from by-passing the Conference Lines could only be realised if Neilson was able to negotiate independently of the Board. Arrayed against Waitaki were a host of statutory and institutional arrangements.

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65 'Waitaki to buy out Borthwicks for \$65M', *Christchurch Press*, 22/2/86  
'Meat deal of great consequence', *Christchurch Press*, 1/3/86; Bennett, F.,  
'Borthwick sells out to Waitaki', *Christchurch Star*, 22/2/86; O'Hara, P. 'Best to  
disengage', *Christchurch Star*, 22/2/86.

66 'Match point now for Mr Neilson', *Christchurch Star*, 22/2/86.

The Board acted as the agents of farmers when it negotiated with the Conference Lines. The contracts were binding on all exporters (meat-export license holders) but not subject to their consent. These shipping contracts were negotiated every four years.<sup>67</sup> A number of commentators maintained that by excluding meat-export license holders from the negotiations with shippers the Board was sanctioning cost-plus arrangements. For example, in the period 1974-1979 freight rates increased by 282%, while the consumer price index increased by 87%.<sup>68</sup>

In the light of such high freight rates there was mounting criticism of the Board and unfavourable comparisons were made with other industries. For example, the Dairy Board and the Apple and Pear Board had dispensed with the Conference Lines in the early 1970s and instead chartered vessels. The marketing manager of the Apple and Pear Board claimed to have saved millions in reduced freight rates since it stopped using the Conference Lines. The Dairy Board paid only about half the of prevailing freight rates for frozen meat.<sup>69</sup>

In response to such criticism, the Meat Producers' Board stressed its commitment to securing the flow of exports and to ensuring that all exporters, large or small, integrated marketing firms or individual farmers, faced the same freight rates. Insofar as this guarantee required a premium to the Conference Lines then the Board was willing to accept this cost.<sup>70</sup> That is, averaged and consequently elevated freight rates were regarded as a means of maintaining the

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67 Bull, J., 'Shipping meat through Meat Board', unknown, 24/9/79.

68 'Threat at farm gate', *Christchurch Star*, 6/9/79.

69 'Cost put heavy load on meat', *Auckland Star*, 12/9/79; 'The case for shipping by conference lines', *Christchurch Star*, 3/9/79; 'Freight shipping costs saved', *Evening Post*, 6/9/79.

70 'Meat Board defends shipping arrangements', *Christchurch Press*, 11/9/79.

multiplicity of firms in the industry. The Chairman of the Meat Producers' Board stated:

"This country must have a regular flow on to the British market, which individual companies are unable to ensure: that was the reason the Producers' Board was set up 50 years ago." (Hilgendorf, 1979).<sup>71</sup>

However, the commitment of the Board to averaged rates and to the Conference Lines impacted unevenly on meat firms. For example, not only was Waitaki disbarred from by-passing the Conference Lines but its main competitor, Vesteys, was a part owner of the shipping cartel. Vesteys had an interest in two of the shipping firms which made up the Conferences Lines, the Blue Star Line and the Australian Container Transport Line. It wholly owned the former and had a 42.5% shareholding in the latter. Hence, a substantial part of the freight rates paid by Waitaki and other firms ended up in the coffers of Vesteys diverse holdings (Knightley, 1981).<sup>72</sup>

The meat-export license holders belonged to the Meat Exporters' Council which advised the Board in the negotiation of shipping contracts. However, the Meat Exporters' Council was dominated by the international agribusiness firms and the most influential members were representatives for the various licensees actually owned by Vesteys.<sup>73</sup> Their influence effectively stifled the Meat Export Council and prevented it from criticising the existing shipping contracts.<sup>74</sup>

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71 'Meat company trying to break export monopoly', *Christchurch Press*, 30/8/79.

72 'Local meat firms question producer boards' priorities', *National Business Review*, 1/12/80.

73 Berryman, W., 'ABC Lines provide ammunition for attack on shipping cartel system', *National Business Review*, 1/12/80.

74 'Meat ship rebel disappointed', *NZ Herald*, 31/8/79; 'More fuel for Waitaki's fire', *NZ News UK*, 11/11/79.



The continued influence of Vesteys, the restraints on the Meat Exporters' Council and the continued commitment of the Board to its deals with the Conference Lines imparted a real inertia to the shipping arrangements. Neilson endeavoured to by-pass this nexus of political deals by negotiating independently with the Antwerp Bulk Carriers Line and by mounting a case in the High Court to defend his actions.

In October 1977 Neilson extended the interests of his company into shipping. In that year he bought a part interest in Maritime Carriers, a coastal shipping firm owned by the Antwerp Bulk Carriers Line.<sup>75</sup> Maritime Carriers were soon after appointed as shipping agents for Pacific Maritime, the Australasian operation of the ABC Line. Neilson's foray into coastal shipping with ABC was initially portrayed as merely another facet of its diversification,<sup>76</sup> but in fact it signalled that he was on a collision course with the Board.

The Antwerp Bulk Carriers Line (ABC) operated outside the Conference Lines and had tried to undercut their bigger competitors a number of times elsewhere in the world.<sup>77</sup> ABC had approached the Meat Producers' Board and the Wool Board in July 1978 with an offer to carry 10% of their exports at a 10% discount. However, both Boards had rejected this offer.<sup>78</sup> Sir Edmund Vestey, chairman of the Blue Star and ACT Lines had described ABC as 'an expensive nuisance'.<sup>79</sup>

In early 1979, Waitaki, the Hawkes' Bay Farmers' Co-operative and ABC reached an agreement to ship independently of the Board and

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75 'Waitaki - NZR ventures into coastal shipping', *Christchurch Press*, 5/10/77.

76 'Coastal cargo gives hope', *Christchurch Press*, 27/4/78; 'Battle begins for trade over Tasman', *Auckland Star*, 8/3/78; 'Tasman link underway', *Dominion*, 2/3/78.

77 'Cut-price container link planned', *Christchurch Press*, 31/7/78; 'How a shipping tycoon confounded his critics', *Lloyd's List*, 3/8/79.

78 'Meat company trying to break export monopoly', *Christchurch Press*, 30/8/79.

79 'Shipping news', *Christchurch Press*, 25/5/79.

Conference Lines. A trial shipment of thirty-two containers of frozen meat and two containers of slipe wool was proposed for mid 1979. The bulk of the frozen meat was to be supplied by Waitaki and the Hawkes Bay Farmers' Co-operative would supply a small amount of frozen meat and the slipe wool. The trial shipment would be carried at freight rates representing a 15% discount on those negotiated between the Board and the Conference Lines (interview, Manager #3).

However, in the following months the management of the ACT Line was to become aware of the trial shipment and alerted the Meat Producers' Board and the Wool Board. The Wool Board immediately threatened the Hawkes Bay Farmers' Co-operative with a fine if it continued with its plans to ship outside the Conference Lines and the Hawkes Bay Farmers Co-operative consequently abandoned its plans to supply slipe wool for the trial shipment (interview, Manager #3). Despite these moves the conspirators pressed on with the shipment of meat which was transported to the ports of Lyttleton and Napier. However in the days before it was loaded on to an ABC vessel, the Board declared the shipment illegal in terms of the Meat Export Control Act (1922).<sup>80</sup> On 30 August 1979, the Meat Producers' Board notified Waitaki and Hawkes Bay Farmers' Co-operative that in accordance with its statutory powers it intended to seize the thirty-two containers of frozen meats intended for the ABC Line and, what is more significant, all other the meat belonging to the two firms:

"The New Zealand Meat Producers' Board, a body established under the Meat Export Control Act 1921-22, acting under the powers conferred by the Act, hereby gives you notice that the Producers' Board intends to assume absolute control over all meat owned by you and, in particular, all meat intended to be exported by the vessel Antwerpen, due to sail from Auckland on or

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80 'Waitaki battles Meat Board', *Christchurch Star*, 28/8/79, 'Cosy arrangement is challenged', *Christchurch Star*, 29/8/79.

about September 3 for Southampton and Hamburg and other ports, at and from September 1, 1979.

By virtue of this notice, the Producers' Board will, as from September 1, 1979, assume absolute control over the meat referred to herein, and the said meat may be graded and shipped only in accordance with such directions as may from time to time be given by the Producers' Board, and may (be) sold or disposed of only by the Producers' Board or by direction of the Producers' Board at such times and in such a manner and on such terms as the Producers' Board in its discretion may determine."<sup>81</sup>

The measures used by the Board to defend its authority evoked a strong response from both the opponents and supporters of the existing shipping arrangements. Dissatisfaction with the Board's handling of shipping was even expressed by farmers and politicians. Federated Farmers officials were critical of the high freight rates paid to the Conference Lines and while not wishing to disrupt the shipping arrangements, they urged the Producers' Board to consider ABC when renegotiating the shipping contracts.<sup>82</sup>

John Elworthy, Member of Parliament (Waitaki), supported the actions of Waitaki. He called for farmers to influence the Meat Producers' Board through the lobbying of Federated Farmers and the Electoral College to be more flexible over shipping. These comments were taken up by Waitaki and ABC Line management, who stressed the potential savings from shipping outside the Conference Lines. This annual saving was estimated to be around \$40 million.<sup>83</sup>

The Meat Export Council was also drawn into the public debate when it was revealed that, in contrast to the international agribusiness firms,

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81 'Board seizes meat cargo', *Christchurch Star*, 30/8/79.

82 'NZ may save on discount shipping', *Auckland Herald*, nd; Berryman, W., 'ABC line exporters brave conference wrath', *National Business Review*, 10/10/79; 'Dispute in meat export', *Christchurch Star*, 29/8/79.

83 'Belgian shippers claim potential saving of \$40m to NZ exporters', *Christchurch Press*, 31/8/79.

almost all the local firms on the Meat Export Council had supported the earlier offer from ABC to the Board.<sup>84</sup> The response by the Meat Producers' Board was to, once again, emphasise the benefits of continuity in shipping arrangements and the need to control the flow of frozen meat onto the British market.<sup>85</sup> Supporters of the contracts with the Conference Lines cast doubt on the ability of ABC to provide sufficient and regular shipping capacity.<sup>86</sup> They claimed ABC merely wished to pick-up the most profitable parts of the international trade, making the balance unattractive to the Conference Lines. These claims were hotly disputed by Neilson, the Hawkes Bay Farmers' Co-operative and ABC.<sup>87</sup>

While this public debate raged on the National Government proved extremely reluctant to be seen to direct the activities of the Meat Producers' Board. The Under-Secretary of Agriculture (Lance Talbot) stressed that the Government would only become involved if it could see 'a continuing situation where a statutory body will not face up to its responsibilities'. The National Government was not prepared to use its new powers, under section 12 of the Meat Amendment Act (1976), to override the Board.<sup>88</sup>

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84 'Cost put heavy load on meat', *Auckland Star*, 12/9/79; 'Board's 'sympathy' for foreign interests sparks attack', *National Business Review*, 5/11/79, 'Local meat firms query producers boards' priorities', *National Business Review*, 1/12/80.

85 'Meat Board defends shipping arrangements', *Christchurch Press*, 11/9/79.

86 'MB open to offers of lower freight rates', *Christchurch Press*, 1/9/79; 'MB interest in freight proposal', *Otago Daily Times*, 1/9/79.

87 'Waitaki has no wish to destroy shipping conference', *Christchurch Press*, 7/9/79; 'Why meat was seized', *Christchurch Star*, 6/9/79; 'Fresh bid to ship meat', *NZ Herald*, 7/9/79.

Waitaki - NZR attempted to lobby parliamentarians and sponsored a discussion document to this effect:- Hobbs, E. (1979), 'The case for container lines to service the NZ / UK - Europe trade as a non-conference carrier', a presentation to all Members of Parliament, September, Archives of E. J. Neilson.

88 'Mr MacIntyre stays out of the meat trade dispute', *Christchurch Star*, 31/8/79.

"An attempt to force a snap debate on the issue in Parliament...failed when the Speaker (Mr Harrison) ruled that such a debate did not come within the scope of Parliament's Standing Orders. The Labour spokesman on agriculture, Sir Basil Arthur (Timaru) initiated the move, saying that if the Producers' Board tried to stop Waitaki from using a competing shipping line, meat works and farmers would suffer 'considerable loss'. The Speaker ruled that the Minister of Agriculture (Mr MacIntyre) was not directly responsible for the Producers' Board and that therefore it was not within Parliamentary rules to adjourn the business of the House to hold a snap debate on the issue." <sup>89</sup>

Neilson then announced that he would seek compensation resulting from the actions of the Meat Producers' Board through the High Court. This court case coincided with a similar initiative by another independent shipping line, the ACE Line, against the Wool Board, in which the shipping line sought redress for its exclusion from the wool trade. Both court cases sought to disrupt the longstanding arrangements between the Meat Producers' Board and Wool Board and the Conference Lines.<sup>90</sup>

Neilson indicated his company's lawyers would argue that by creating a cost-plus and monopolistic shipping system the Producers' Board had breached the demands for fair trade under the Commerce Act (1975). Waitaki International's lawyers would also argue that the Producers' Board had exceeded its authority in impounding all of the firm's meat.<sup>91</sup> The Waitaki case against the Meat Producers' Board however was comprehensively defeated.<sup>92</sup> Chief Justice Davison had

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89 'Meat company trying to break export monopoly', *Christchurch Press*, 30/8/79.

90 Gasson, W., 'Steam up in shipping' *Christchurch Star*, 10/7/80.

91 'Waitaki to seek court ruling', *Christchurch Press*, 18/9/79, 'Line to take MB to court', *Christchurch Press*, 26/10/79, 'Collusion denied in shipping row', *Christchurch Press*, nd, 'Meat Board challenged', *Christchurch Press*, nd; 'Waitaki determined on meat freights', *Christchurch Star*, 19/10/79.

92 'Court rules for Meat Board', *Christchurch Press*, 11/3/81.

already made ruling in a similar case in favour of the Wool Board where he supported the practice of excluding firms not of the Conference Lines from the wool trade. The Chief Justice's ruling also discounted all the arguments raised by Neilson and his lawyers. The Chief Justice determined: (1) that the Meat Producers' Board did not exceed its lawful powers by entering into the Freight Agreement of 20 September 1978; (2) that this arrangement with the Conference Lines was a reasonable agreement; (3) that the agreement was not in breach of the Commerce Act (1975), insofar as the Act applies only to combinations of persons selling goods and not parties at arms length; (4) that the Meat Export Control Act did not require the Meat Producers' Board to consult with Waitaki, or to act as its agent; (5) that the Meat Producers' Board was not obliged to allow other shipping arrangements to exist side by side its own; (6) that the Meat Producers' Board did not wrongly exercise its statutory authority in declaring the trial shipment illegal; and (7) that the Meat Producers' Board was entitled to assume full control of all Waitaki meat shipments in the manner it did, that is, without a recourse to a hearing relating to the case.<sup>93</sup>

By confiscating the meat of Waitaki International and having its actions validated in the High Court and by Government the Board demonstrated its considerable autonomy both from the firms and other farmer interests in the industry. However, in a sense this judicial approval of the actions of the Meat Producers' Board simply ratified the statutory and institutional arrangements that were set up by the Meat Export Control Act (1923). Nevertheless, interventions of the Board had always entailed costs and benefits to actors in the industry and were therefore at best only partial solutions. In the case of shipping arrangements with the Conference Lines the high costs

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93 Davison, R., *Judgement: Waitaki-NZR, Meat Producers' Board*, Chief Justice of the Court of Appeal, Wellington, March, 1981.

associated with securing access to markets firstly for farmers and secondly for firms was finally subjected to criticism from farmers.

Existing shipping arrangements were to be placed under further pressure by the announcement that contracts between the Board and the Conference Lines for 1980-1984 had only minimal increases in rates. This check in the upward spiral of freight rates provided conclusive proof to the opponents of the existing shipping arrangements of correlation of Neilson's challenge to the Board and of the benefits of competition. They argued that the reduced increases had only been made possible by the threat posed to the Conference Lines by ABC and that full competition would bring an even greater saving.<sup>94</sup>

Further, the controversy stirred by Neilson led the Labour Opposition and Federated Farmers to demand a Commission of Inquiry into shipping.<sup>95</sup> In the face of this mounting criticism the Minister of Agriculture ordered a Commission of Inquiry. The major recommendations of this Commission of Inquiry were that the negotiations with the Conference Lines be extended but that ABC be included as a shipper of meat, and that the members of the Meat Exporters' Council play an active part in future negotiations with the Conference Lines. These recommendations were enacted in 1983 (Meat Industry Task Force, 1983).

### **Neilson's project, the Board and new corporations.**

The takeover and the integration of the businesses of Swifts, South Otago Freezing, Nelson Freezing, New Zealand Refrigerating and Borthwicks meant that Waitaki International had achieved a spread of

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94 Berryman, W., 'ABC men stewing', *National Business Review*, 12/9/79.

95 'Call for inquiry into export freight rates', *Lloyd's List*, 13/9/79; 'Shipping alternative favoured by farmers', *Otago Daily Times*, 15/9/79.

processing plants which encompassed nearly all of the farming districts in New Zealand (see appendix 2). In this regard, Neilson had made Waitaki International into the first truly national (as opposed to regional) based processor in the long history of firms in the export meat industry. Waitaki International enjoyed a coverage of the country that made possible a genuine rationalisation of its deals with farmers. The Board was also to come to this conclusion and in doing so seemingly removed the statutory constraints on Neilson's project. This change in policy by the Board was signalled by the creation of Freesia Meats in 1985. This establishment heralded investment in and making deals with local firms to advance marketing and to eliminate excess capacity in the processing sector (Le Heron, 1990; Le Heron, Roche and Anderson, 1989). In other words, Waitaki was abruptly transformed from a grasping middleman into a potential saviour of the industry.

Waitaki International, but without John Neilson, went on to close several freezing works with the direct assistance of Freesia Meats, the Board's investment arm. However, these closures were not just the result of political deals brokered by the largest local agribusiness firm, the Board and Government. They included a number of new actors, and, what is most important in this account, they involved the large corporations that had previously steered clear of the networks in the export meat industry and who only entered the sector of commerce in the wake of the delicensing of the processing sector. Thus, Fletcher Challenge (Fletchers), Watties Industries (Watties) and Brierley Investments (Brierleys) individually began to invest in the export meat industry several years before delicensing, and their agitation for reform of the law relating to the ownership of export slaughterhouses constituted an important stimulus for change.

The large corporations were clearly enamoured with the form of corporatism instigated by the Labour Government (1972-1975) and



formalised as 'Think Big' by the successive National Governments (1975-1984). After the constraints of industrial licensing were removed these corporations soon after achieved a significant transfer in the ownership of the networks in the industry. The corporations went on to quickly build a complex web of ownership across the processing sector of the industry.<sup>96</sup>

Brierleys moved into the export meat industry first, when in 1977 it purchased shares in the Gear Meat Company and the Hawkes Bay Farmers' Meat Company. In the next few years Brierleys also took control of Huttons. These investments gave it an interest in plants at Petone (closed 1979), Eltham, Blenheim, and approximately 20% of the freezing works at Whakatu. Brierleys holdings in the Eltham and Blenheim plants were consolidated by the formation of the holding firm, Riverlands, while the interest in HBF was sold to Watties in 1985.<sup>97</sup> At the same time, Fletchers also moved into the export meat industry, when in 1980 it, along with PPCS, purchased all the shares of SFM's. Fletchers obtained all of these assets in 1984 (Lind, 1981).<sup>98</sup> The firm also bought and refitted the abattoir at Dunedin, for which it subsequently obtained an export slaughterhouse license. These development gave Fletchers an interest in plants at Mātaura, Mākerewa and Dunedin operated by a holding firm, Challenge Meats.

Watties targeted 'the big boy', Waitaki International, and in 1982 purchased 24.9% of its shares (Manager #3). Watties' stake in Waitaki International increased in 1985 to 40% of its shares -mainly in counter to a bid for shares made by Brierley Investments.<sup>99</sup> In the next twelve

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96 'Ownership picture complex', *Christchurch Press*, 21/10/86.

97 'Corporate juggling for meat works', *Christchurch Press*, 21/10/86.

98 'PPCS revealed as SFM buyer', *Christchurch Star*, 7/5/80; 'SFM consent extended', *Christchurch Press*, 25/8/84.

99 'Wattie boosting Waitaki stake', *Christchurch Press*, 27/7/85, 'Westfarmers drops Waitaki options', *Christchurch Press*, 3/8/85.

months Watties was to become the majority shareholder of Waitaki International,<sup>100</sup> and Watties also bought a controlling interest the Hawkes Bay Farmers' Meat Company (HBF). This joint ownership resulted in the physical assets of HBF being integrated with the operation of Waitaki. It meant that two more freezing works, HBF Whakatu and HBF Takapau, were briefly included as part of the fold of Waitaki.<sup>101</sup>

Many of the deals between Fletchers, Brierleys, Watties, and other smaller players involved Freesia Meats, the Board's investment arm. Most of these deals centred on the enlargement and consolidation of a corporate owned version of Waitaki International. Waitaki International was to become transformed -with approval from the Board and Government- into the holding company of its corporate owners (Le Heron, 1988a, 1988b, 1990). In this respect, Waitaki International was to become the vehicle favoured by the Board and Government and the corporations to extend the building of an integrated firm and the -relatively unfettered- rationalisation of the networks in the industry. Thus, the involvement of Freesia Meats in the affairs of the industry permitted the dismemberment of the assets of the Hawkes Bay Farmers' Meat, the merger of the operations of Waitaki International with those owned by Fletcher Challenge, and

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100 Neilson, was vocal in his opposition to the intervention of Watties in Waitaki and was displaced from the Board of Directors by a corporate appointee (1986). "Wattie's overnight raid, some years ago, on Waitaki, unhappily proved to have a dismal outcome for Waitaki and the meat industry and despite protestations to the contrary Wattie brought its holding up to over 60%. Fletcher Challenge's excursion into the meat industry has also had many unhappy results. ...the remnants of the Waitaki Head Office are to be moved to Wellington. The move under the apparent domination of Fletcher Challenge Limited, may only hasten the demise of Waitaki. Perhaps Fletchers, Goodmans (Watties) and Freesia would like to buy out the 28% of the small shareholders -Challenge found a value of \$1.35 acceptable and so would many shareholders- though it is questionable whether the meat industry would benefit from this action." (Neilson, 1988).

101 'Strong Wattie seeks bigger role in meat', *Christchurch Press*, 12/12/85; Wattie's takes majority interest in Waitaki, *Christchurch Press*, 26/3/86.

saw four export slaughterhouses closed (see table 7.1). In the two rounds of plant closures and transfers brokered by Freesia Meats, and in which Waitaki International played an important part, the investment arm of the Meat Producers' Board provided access to finance for the large corporate players (Le Heron, 1988b).

**Table 7.1: Selected plant closures, 1987-1989.**

Year	Firm	Plant.
1987	Waitaki /Richmonds /Vesteys	Whakatu
1988	Waitaki /Fletchers	Burnside
1988	Waitaki /Fletchers	Islington
1989	Waitaki /Fletchers	Dunedin

The first go at rationalisation in the processing sector resulted in the closure of the Whakatu plant. In 1986 Waitaki International sold the Whakatu and Takapau freezing works (the assets of the former Hawkes Bay Farmers' Meat) to Richmonds. Richmonds retained and operated the plant at Takapau. This freezing works was operated as a joint venture with Richmonds, the Board and a British food manufacture, Bernard Mathews Ltd. Richmonds sold the plant at Whakatu to Vesteys. Vesteys then closed and mothballed this old freezing works. The costs of the closure were shared between Waitaki International, Richmonds and Vesteys.<sup>102</sup>

An important feature of this round of deals was the approval by the Board for the consolidation of catchments (for the procurement of stock) for the remaining freezing works. The problems of over capacity were extreme in the lower east coast of the North Island. The catchments of the Takapau and Whakatu freezing works cut across those of the plants owned by Vesteys and by Waitaki International (formerly by Borthwicks) and the situation was exacerbated by the entry of Richmonds into the region. All three surviving enterprises -

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<sup>102</sup> 'Corporate juggling for meat works', *Christchurch Press*, 21/10/86.

Waitaki International, Richmonds and Vestey's- were happy to share the costs (especially where it was part funded by Freesia Meats) of plant closure in order to achieve a better utilisation of their remaining processing capacity.

The second attempt at rationalisation commenced in early 1988 and centred on the amalgamation of Challenge Meats (Fletcher's interest in the export meat industry) with Waitaki International. The enlarged business entity was formally secured in a joint venture -called Garway Investments Limited- that continued to be operated as Waitaki International. The creation of Garway Investments was directly funded by monies from the Meat Producers' Board and Freesia Meats. The merger of the Waitaki company and Challenge Meats involved a share swap wherein Waitaki International obtained the Makerewā, Mātāura and Dunedin works while Fletchers obtained a minority interest in the enlarged firm. Thus, Watties (itself now part of an even larger corporate entity, Goodman, Fielder Watties) owned 29% of Waitaki International, and Fletchers owned 29%, while Freesia Meats owned 14%, and small shareholders owned the balance of 28% (Le Heron, 1990).<sup>103</sup>

The amalgamation of Waitaki International and Challenge Meats facilitated the immediate closure of two freezing works at Burnside and Islington and the cessation of export activities at Dunedin. The newly modernised freezing works at Finegand and Marlborough were sold to the Primary Producers' Co-operative Society (PPCS).<sup>104</sup> As was the case with the previous round of deals, the amalgamation of Waitaki and the operation owned by Fletchers was intended to both eliminate processing capacity and to improve the likelihood of the

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103 'Approvals for all Waitaki', *Christchurch Press*, 14/4/88, 'Meat Industry too slow to modernise', *Christchurch Press*, 13/8/88, 'Tough words for Waitaki directors', *Christchurch Press*, 16/8/88; O'Brien, P., 'How Waitaki was led to the slaughter', *NBR Weekly*, 20/4/90.

104 Riddell, O., '1670 to go off chains', *Christchurch Press*, 5/7/88.

remaining freezing works to operate at full capacity. This latter aspect of closure was intended to function through the (partial) elimination of overlapping catchments. In this regard, the enlarged Waitaki company and PPCS (a farmers' firm) were the main beneficiaries. At the same time, the rationalisation of processing allowed a further enhancement of the ownership of marketing. In the months following the creation of Garway Investments (late 1988) the marketing arm into Britain and the rest of Europe of the enlarged Waitaki firm was merged yet again, in this case with those distributional outlets owned by two farmers' firms, AFFCo and Alliance.

### **Collapse of Waitaki International and exit of the corporations.**

In many regards, the strategy of building a local marketing company - to match the scale and integration of the international agribusiness firms- seemed accomplished by the steps towards rationalisation taken in New Zealand alongside the fusion of the marketing arms of Waitaki International, AFFCo and Alliance. The resultant marketing firm was expected to handle around 50,000 tonnes of lamb and to become the largest importer of chilled and frozen meat into the EC.<sup>105</sup> However, the new business entity dreamed of by John Neilson and finally created by the takeovers, amalgamations and joint ventures,, was to be short-lived. Rather than the enhanced stability and profitability that was expected to eventuate from these manoeuvres a precipitous decline in the fortunes of Waitaki International culminated in its bankruptcy in 1990, and provided an unexpected denouement to the most sustained attempt by local firms at the development of a marketing company. Hussey has argued that:

"Central to the restructuring process were the commercial problems of Waitaki International Ltd. This publicly listed meat processor and exporting company processed

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<sup>105</sup> 'Meat marketers to merge', *Christchurch Press*, 21/9/88; 'Waitaki: Merger is rational, logical', *Christchurch Press*, 24/9/88.

around 40% of the New Zealand lamb kill and 30% of the beef kill before it was broken up and effectively 'taken over' by AFFCo and Alliance. Facilitating the exit of the prominent corporate investors who had entered the industry during the 1980s was also part of the plan. While some plants were closed as part of the restructuring and ownership changes involving Waitaki, the exercise has very much been one of 'rearranging the deckchairs on the Titanic'. The corporate participants have suffered major capital losses during their withdrawal." (Hussey, 1992: 174).

The amalgamation of Waitaki International and Challenge Meats (1988) occurred in the context of worsening conditions for all meat firms and especially for Waitaki International. A high and appreciating New Zealand dollar along with the rising cost of stock served to make an involvement in processing, and arguably throughout the networks in the export meat industry, increasingly unattractive (Garway Investments Limited, 1988; McKinsey and Company, 1988). Undoubtedly the biggest problem confronting Waitaki International remained that of over capacity in processing. That is, Waitaki International owned the largest share of a processing sector and therefore of its over-capacity. Over-capacity resulted in high fixed costs, and the problems with inordinately high fixed costs were further exacerbated by a fall in export slaughterings. There were 16.5 million slaughterings in 1985, 12.5 million in 1986, and only 11.4 in 1987.<sup>106</sup> While the physical assets of the Waitaki company got ever larger, the numbers of stock, and especially of sheep and lambs, going through its works declined.

The over capacity in processing that Evans (1985) had estimated at 40% during the artificial boom in slaughterings following the end of SMPs were to become significantly worse and finally unsustainable for Waitaki International. As a result of its massive overheads in processing, Waitaki International reported an annual loss of \$796,000

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106 O'Brien, P., 'How Waitaki was led to the slaughter', *NBR Weekly*, 20/4/90

for the year ending 1 October 1987. This was the first such balance date deficit for Waitaki International since 1974. However, the deficit the following year, in 1988, was a staggering \$97.1 million and this figure then constituted the largest ever annual loss by any firm operating in New Zealand.<sup>107</sup>

Some commentators have noted that the collapse and demise of Waitaki International and the ensuing closure of its many freezing works up and down the country might be the swiftest means of achieving the long sought for rationalisation of the networks in the industry. In this regard, Waitaki International had ceased to be the active proponent of rationalisation and the consolidation of marketing, it now appeared more as its victim.<sup>108</sup> At the same time, the Meat Producers' Board found itself in a quandary. Freesia Meats had already invested more than \$50 million in Waitaki International in the belief that only an enlarged version of the Waitaki company could secure a truly integrated marketing company and the rationalisation of processing. With the imminent bankruptcy of Waitaki International, the statutory body faced the difficult choice of walking away from its investment or of attempting some transfer of assets to the other incumbent firms.

Had the Board allowed Waitaki International to flounder and let its freezing works and inventory be handed over to a receiver and liquidator of bankrupt firms, a 'fire sale' of assets might have ensued. The sale of physical assets of Waitaki International probably would have returned no more than 10%-15% of their book values, and almost nothing would be returned to the Board from its investment made in Waitaki International. That is, the Board would likely have made an outright loss of many tens of millions of dollars. At the same time, there

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107 'Waitaki set to announce big loss', *Christchurch Press*, 12/12/88, Topp, N., 'Waitaki reports \$97m total loss', *Christchurch Press*, 21/12/88.

108 'Single meat seller wanted by Waitaki', *Christchurch Press*, 15/4/89.

was no guarantee that any of the works closed by the bankruptcy of Waitaki International would stay shut. A likely scenario was that further new firms would buy these plants, at a considerable discount, and thereby further undermine the existing players. The statutory body was very opposed to this scenario, because it would result in massive write downs that would be made all the more pointless if the plants were subsequently re-opened. Thus, instead of leaving Waitaki International to its creditors and to be dismembered by the sale of its assets, the Meat Producers' Board chose to broker yet another deal.

The intervention by the Board to secure some transfer in the ownership of Waitaki International and some return to its corporate investors was undoubtedly welcomed by Fletchers and Watties. Indeed, the extent to which the senior management of these corporations misled the members of Meat Producers' Board, and thereby subverted the interests of farmers, remains a highly contentious issue. A number of farmers and other commentators have since claimed that Freesia Meats and the Meat Producers' Board were simply duped by big business. Not only had they blundered when the statutory body first bought into the Waitaki company, but they did so again by facilitating the transfer of the processing facilities owned by Waitaki International. In a number of interviews (and in at least one TV documentary) this final intervention by the Board in the fate of Waitaki International is referred to as 'the charge of the shiny-arse brigade'.

"Freesia's investment into Waitaki, which relieved Goodman Fielder Wattie of half its interest, was a blunder which was never fully acknowledged. If it had been, Freesia would have cut its losses when it had the chance. Instead, as the full extent of Waitaki's financial problems became evident, the investment was justified as a step to increased farmers ownership of the industry." (Turner, 1991).<sup>109</sup>

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109 Turner, M., 'Meat producers face heavy burden of Waitaki purchase', *Dominion Sunday Times*, 6/10/91.



The immediate response by Freesia Meats, Fletchers and Watties to the loss by Waitaki International was to each inject \$15 million dollars to keep the company afloat during 1989. This cash outlay was required because the bankers of Waitaki International had refused any further funding. Nearly a year of behind the scenes discussions followed before a deal was announced. The deal involved the transfer of all of Waitaki International's assets to two farmers' co-operatives.<sup>110</sup> According to this deal AFFCo took over the Waitara, Feilding, Waingawa, Longburn, Wairoa and Imlay works in the North Island,<sup>111</sup> while Alliance took over the Nelson, Smithfield, Pukeuri, Dunedin, Matura, and Makerewa works in the South Island. At the same time, Fletchers and Watties were able to quit all their interests in the joint venture, Garway Investments, when Freesia Meats took up its entire share issue. This purchase of shares meant that Freesia Meats held a 37% ownership of the enlarged Alliance Freezing Company (see appendices 1 and 2).<sup>112</sup>

Waitaki International was liquidated in 1990 when the bulk of its assets was passed into the hands of the farmers' co-operatives.<sup>113</sup> The winding up of Waitaki International, the sale of assets of its to PPCS, AFFCo and Alliance, and the sale of Garway Investments allowed Fletchers and Watties to, more-or-less, extricate themselves from the

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110 'Waitaki feel confident in revamp talks', *Christchurch Press*, 2/9/89; 'Moyle leaves meat strategies to companies', *Christchurch Press*, 20/9/89.

111 Keenan, D., 'Merger start of meat moves', *Christchurch Press*, 26/9/89; 'Angry meat workers promise ban', *Christchurch Press*, 26/9/89.

112 'Companies silent on meat deal rumour', *Christchurch Press*, 13/11/89, 'Meat industry reshuffle', *Christchurch Press*, 14/11/89, 'Waitaki bid terms given by Alliance', *Christchurch Press*, 30/11/89, 'Alliance bid gets green light', *Christchurch Press*, 12/12/89; Keenan, D., 'Alliance likely to mop up Waitaki', *Christchurch Press*, 14/11/89; Keenan, D., 'Waitaki takeover supported', *Christchurch Press*, 12/12/89; Keenan, D., 'Alliance milestone marred by strike', *Christchurch Press*, 28/3/90.

113 'Waitaki writes \$79m off plant', 23/12/89.

industry.<sup>114</sup> The Alliance Freezing Company took possession of the last of the plants owned by Waitaki International on 28 March 1990. These transfers in the ownership of its freezing works left Waitaki International without any physical assets. In what was to become its last full annual report Waitaki International posted a further deficit of \$40.9 million for the year. With the break up and sale of Waitaki International to the co-operatives in 1990, Neilson's project, the building of a firm with a nationwide approach to stock procurement and processing and with forward links into overseas markets, was ended. Neilson also died that year, he contracted amoebic meningitis while holidaying and fell into a coma from which he never woke. Moreover the co-operatives that were enlarged by the demise of Waitaki did not pursue Neilson's project. Although PPCS, Alliance and AFFCo were to become large concerns they remained essentially regionally based processors and attempted to access markets by means other than forward integration.

### **Conclusion: The limits of an integrated agribusiness firm?**

The initial interventions by the Producers' Board into the networks in the industry in 1923 had addressed the part played by international agribusiness firms in the linkage of production, processing and overseas markets (see chapter 4). That is, reining in the international agribusiness firms was the *raison d'être* of the statutory body. Still, the influence of Borthwicks, Swifts, and Vesteys resulted in a form of governance that was secured on the basis of a compromise reached between the statutory body and international agribusiness firms. This trade-off locked the domestic (proprietary and co-operative) enterprises into the pursuit of marginal and subordinated endeavours, largely as a corollary of their inability to achieve the necessary level of forward-integration to guarantee the clearance of export product.

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<sup>114</sup> 'FCL in AFFCo', *Christchurch Press*, 3/6/95.

The account of the growth and the demise of the largest of the integrated marketing companies, Waitaki International, pertains to the period in which the networks in the industry (and all its players) were impacted by the saturation and closure of the markets in Britain. This transformation in markets was heralded by the end of the Bulk Purchase Agreement (1940-1954) wherein New Zealand had supplied ration-bound markets in Britain with foodstuffs. Its termination also spelt the end of the old-style trade-offs around bulk wholesaling and the respective roles of the local firms and the international agribusiness firms. In this case, the unique aspects of the export meat industry in New Zealand are revealed not through the interventions of overseas companies in their efforts to build integrated firms and to force a rationalisation of the networks in the industry, but through the efforts of Neilson and the indigenous Waitaki company.

In the decades after the Bulk Purchase Agreement, Neilson and the managers of a number of the 'other proprietaries' (Hereford, 1932: 53), began to assert the need for a rationalisation of the export meat industry. Waitaki International was to become the foremost of these local firms, and set out to rid itself of all the trappings of marginality and in particular its reliance on contracted processing. In doing so, Waitaki International was to become the main agent of this revived agenda of rationalisation. Thus, as was noted, the development of Waitaki International into an integrated agribusiness firm in many respects merely reintroduced the old-styled agenda for efficient forms of business and for the rationalisation of the networks in the industry.

The initial opposition from the Board to Neilson and the Waitaki company was undoubtedly predicated on an assessment about the menace from the integrated firm to local farmers. The development of Waitaki International, its pursuit of Neilson's corporate strategies which eventually allowed it to enjoy a position of considerable

influence within the networks in the industry, was for a long time associated by farmers and by the Board exclusively with the threat of monopsony. In retrospect, however, it can now be seen that Waitaki International (and other players) merely filled a void left by the decline of the international agribusiness firms. However, only a very belated credence was given by the statutory body to the strategies of emergent firms ever resulting in any qualitative improvement in the overall ability of the industry to clear its export product. As a result, Neilson and Waitaki were forced into conflict with the Meat Producers' Board (the lawful bafflement of Waitaki International culminated in its debacle at trying to ship outside the Conference Lines).

While the discussion of Neilson's project for Waitaki illuminates some of the dilemmas faced by meat firms in New Zealand it also shows the extent to which the Board tried to defend the interests of family farmers in the face of industrial change (Portz, 1991). In many respects, the story of the rise and fall of Neilson and Waitaki International is as much about the Board as it is about the firm. The firm's most senior manager and eventual chairman of its board of directors (John Neilson) was to become at first the most outspoken critic of the Meat Producers' Board. After he was removed by Waitaki International's new corporate owners he was to become a Government appointed member of the Board. Parallel to these shifts, the Board's response to Waitaki International was to refuse to underwrite the firm's agenda for change until the mid 1980s when it transformed its opposition into wholehearted endorsement of the new proposals for rationalisation and the fostering of integrated firms. This about-face resulted in the Board becoming a major loser when Waitaki International as bankrupt.

It would be a decided understatement to claim that the development of Waitaki International did not unfold as Neilson might have envisaged when he decided, in 1964, that the company cease to be

a purely processing firm. The firm experienced some considerable success in the development of an integrated organisation of processing and wholesaling. It was to become a very large player in New Zealand and in the export markets, its multi-divisional structure accounted for a very significant share of the export product. However, this increase in size and in integration did not allow Waitaki International to displace the farmers' agent in the Meat Producers' Board or to ever ignore the statutory body.

The surge in growth enjoyed by Waitaki in the 1980s and its partial rationalisation of processing and of marketing was underwritten by the Board. The about-face by the Board in its assessment of the threats and benefits of rationalisation and integrated marketers, and its subsequent favouring of Waitaki International, reflected the Board's identification of problems of marketing as being pivotal to working out of the contemporary networks in the industry. This reassessment by the Board was not the result of its subordination to Waitaki International acting as an 'unmarginalised' local firm, but rather in recognition that it could use Waitaki International as its tool. Interventions by Freesia Meats in Waitaki International's drive for a rationalisation of processing and its feeding into the fostering of forward-integration were intended to secure a new form of clearance of the export product, which the Meat Producers' Board could then licence and include in its franchising deals. It would thereby, again, control the mechanisms of export in order to ensure its continued benefit to family farmers.

Yet the increase in size and in the integration of Waitaki International did not facilitate a clearance of export product, nor did it improve on the uncertainties of modern marketing. In this regard, it may be plausible to argue that Waitaki International was hobbled in its operations by the earlier intransigence of the Meat Producers' Board and by the stymieing by the Board of Waitaki International's attempts at full integration. Waitaki International was only belatedly able to

close its unwanted freezing works and to realise any economies of scale. Although it owned '48% of the bloody bricks and mortar in New Zealand' (interview, Manager #3) Waitaki International failed to drive down the prices of stock or to make any reductions in the unit costs of processing and of handling the export product. At the same time, the depots it owned in Britain increasingly resembled what one very senior manager called 'white elephants' (interview, Manager #3).

Put another way, the integration and rationalisation that Neilson was finally able to achieve was too little, too late and at too high a cost. On the other hand, the retrenchment and break up of the international agribusiness firms, Swifts, Borthwick and Vesteys, not only in New Zealand but in their international markets suggests a more general malaise in the old-style form of business. That is, Waitaki International contrived to replicate, by the integration of the activities of food processing and wholesaling, a form of business at the moment of its breakdown and demise (Burns, 1983; Senker, 1988).

At the same time, Waitaki International's loss was also the Board's loss. The blow to fortunes and plans of the Meat Producers' Board from the demise of Waitaki International was enormous. The miscarriage of what at the time seemed to be a opportune dovetailing of the efforts by the Board to simultaneously down-size processing capacity and to consolidate a few large players in processing and export with the corporate strategies long pursued by Waitaki International, resulted not only in the loss of a multi-million dollar investment by Freesia Meats but with the partial eclipse of the statutory body. In this regard, Waitaki International might achieve in death what it failed to achieve in life, that is, the marginalisation of the Board. Indeed, the extent to which the undoing of Waitaki International might prove the undoing of the Board, still hangs in the balance.

While the future of the Meat Board is somewhat vague, the failure of Waitaki International, arguably, illustrates a more precise delimitation of the future for integrated marketing companies. In this regard, an important factor may be that Neilson's pursuit of greater size and greater integration never moved far beyond the internalisation of the activities of processing and of export by the simple addition of labour processes (Blackburn, Coombs and Green, 1985). The techniques which Waitaki International deployed in its effort at building an integrated agribusiness firm were those which had prevailed in the old-style industry. These techniques had proved successful in an environment in which the markets in Britain consumed an apparently limitless amount of a very standardised product.

Export markets however were changing. Despite Neilson's attempts at rationalisation and consolidation, which supported the meatworker's unions, delicensing in 1981 facilitated the entry of many new firms into the export meat industry. Ironically this delicensing again raised the prospect of farmers putting together new companies to control their own marketing and a new role for unions. In doing so it also challenged the idea of large agribusiness firms dominating farmers in the industry (Hartley, 1989; Savage, 1990). The new forms of integrating marketing, processing and procurement of these new firms is discussed in the following account of the Fortex Group (see chapters 8 and 9).

## **Chapter 8**

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### **Fortex Group: The firm and the Meatworkers' Union.**

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#### **Introduction.**

"By exploiting these niches small firms embody the broad principles that the industry as a whole is moving towards; the adoption of increased added value processing; efficient meat processing plants; rapid and flexible response to market signals; and efficient procurement mechanisms. While these principles are crucial to the development and exploitation of small plant operating niches, they are also coming to dominate the industry as a whole. Consequently the production, market and procurement configurations of small independent plants may reflect the possible configurations of large plants at the end of the current period of transition." (Hartley, 1989: 93).

The case study of the Fortex Group (Fortex) provides another account of a firm's rise and fall. Fortex emerged and operated in a business environment where the problems confronting any enterprise engaged in the meat export trade had become acute and where the consequences of getting it wrong were far more immediate than in the old-style industry. The hub of this aggravation in the conditions in which agribusiness firms operated lay in the demise of the utility of a standardised product (the frozen carcass) as a commodity through which it was possible to secure the export market.

Where Neilson had sought to control the local industry and farmers by buying it up and in doing so create a vertically integrated firm, Fortex, under Graeme Thompson was to seek to work out new contractual relationships with farmers and a diverse range of buyers in globalised



markets. The response by the management at Fortex to the establishment of a new type of market was therefore very different from Neilson's project at Waitaki. The project was underpinned by the pursuit of further processing on a large-scale. Further processing is the advanced (further) dis-assembly of meat beyond the stage of the carcass and the transformation of an entire, longitudinal half, or primal cut of an animal, into consumer ready cuts and meal-sized portions. This required that Thompson's project, unlike that of Neilson's, was particularly concerned with the re-engineering of the factory (Hammer and Champy, 1993). In the case of Fortex, and arguably in all others (Perry, Davidson and Hill; 1995), Thompson's project attempted to integrate the union into its marketing strategies. The new factory that Thompson aimed for involved the consolidation of new deals among its marketing personnel, production managers and the union that represented meatworkers. How these were put together is the subject of this chapter.

The drive for re-engineering is associated with a raft of techniques in the sociological and business literature (Lazonick, 1990). It is a form of managerial control that involves an unending drive to raise productivity and quality. In principle, re-engineering deploys up-skilling, autonomy and team working (Adler, 1993), just-in-time production and the elimination of buffers (Hill, 1991; Oliver, 1991; Safeyeni, 1991), and hyper-sensitivity to the market (De Toni, Caputo, Vinelli, 1987). The management team that Thompson recruited to carry this through came mainly from the remains of Waitaki International. This team was to attempt to rework both the organisation of work and of industrial relations in its factories largely by reworking the traditional linkage, or 'coupling' (Weick, 1976), of centralised and decentralised bargaining over pay and conditions (Edwards, 1990; Edwards and Scullion, 1982; Littler, Quinlan and Kitay, 1989; Littler and Salaman, 1984) that was so central to Neilson's factories.

Their successes and failures serve to problematise the claims about the 'Japanisation' of work and of modern corporations (Cusumano, 1988, 1989; Fuccini, and Fuccini, 1990; Hopper, 1993; Sayer, 1986) and a set of assumptions about a once-and-for all break through in industrial relations and work that echoes previous concerns about de-skilling the labour process (Hyman 1988, 1991).<sup>1</sup> They also point yet again to the central problem of stock procurement which operated in favour of farmers rather than processors.

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1 An argument could be made about the 'rise and fall' of Fortex with reference to the fairly abstracted discussions about the decline of the integrated firm (Piore and Sabel, 1984). The issues of what comes after the integrated firm is mainly explored in literature on the forms of business which exist as hybrids of markets and hierarchy (Johnston and Lawrence, 1988). Furthermore, the intersection of this line of argument with recent claims on the centrality of management accounting (Johnson and Kaplan, 1987) and, in particular, accounting's role in supplying management with vital information and the deals made around this supply of information have undoubted efficacy in explaining the reworking of contemporary forms of business (Armstrong, 1984, 1985, 1987a, 1987b, 1993; deLuzio, 1993b). Thus, the eventual demise of the Fortex Group Limited could be used to illustrate that the limits of any integrated firm are always found in its ability to integrate labour processes and that this ability is often proscribed by the limits of its internalised accounting practices (Cooper and Kaplan, 1992; Hopper and Armstrong, 1991).

Hopper (1993) has shown that while Western business leaders and theorists are fixated with new techniques of managerial accounting, giving rise to a burgeoning literature on activity based costing (Drumheller, 1993; Cooper and Kaplan, 1992; Eider and Campi, 1990; Johnson, 1991; Kleinsorge and Tanner, 1991; Turney, 1990; Turney and Reeve, 1990), that nevertheless, these techniques are largely disdained in Japan where other, non financial, techniques are deployed (Chan, Samson and Amrik, 1990; Daniel and Reitsperger, 1991). Total quality management (TQM) constitutes the foremost distillation of this Japanese way of doing business (Wilkinson and Oliver, 1989) into a Western literature on business (Cusumano, 1988, 1989; Fuccini, and Fuccini, 1990; Sayer, 1986). TQM certainly informed the management at Fortex rather more than any concern with new techniques of accounting (Roslender, 1990, 1991). In this regard, the ultimate failure of the Fortex Group Limited is also a failure of a series of deals that were indistinguishable from TQM.

### Marketers who got into processing.

The origins of the Fortex Group are found in three small marketing ventures through which about 400 farmers from North Otago and Canterbury sought to access a range of overseas markets. These ventures accessed the markets independently of the channels provided by the 'incumbent' agribusiness firms (Hartley, 1989). To this end, Cattle Services Limited (1971, a private firm), Fort Export Limited (a co-operative) and Canterbury Venison Limited (1978, a private firm) were formed to take advantage of the right of farmers, enshrined in statute and administered by the Meat Producers' Board, to freely access processing.<sup>2</sup>

As I have already noted this longstanding policy was called the 'open door'. Individual farmers had the right -introduced by the Slaughtering and Inspection Amendment Act (1934)- to demand of any export slaughterhouse that it process their livestock. The Meat Amendment Act (1961) had further extended this right requiring that export slaughterhouses also accept and facilitate the pooling of meat, hides wool, pelts. Pooling allowed farmers to jointly or collectively access processing and to market their product.

These marketing endeavours were managed and co-ordinated as a group by Graeme Thompson. The group initially engaged in the selection of livestock from the farms of its shareholders and arranged for their transport to freezing works. Beef cattle, sheep and deer were slaughtered, dressed, bagged and frozen at a number of processing plants owned by CFM and Waitaki.<sup>3</sup> As a sideline to this operation the

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2 Hutching, C., 'Shaking the system', *New Zealand Business*, October, 1990; Williams, A., 'Fortex -farmers co-op to industry innovator', *Christchurch Press*, 28/3/94.

3 A disastrous season in beef trading in the late 1970s prompted the winding up of Cattle Services Limited. Thereafter, the deals involving Canterbury Venison Limited and Fort Export Limited centred solely on venison and sheepmeats.

group also purchased frozen lamb from the processing firms and marketed these frozen carcasses through its own channels of distribution. The group made arrangements for the sale of meat to a variety of local and foreign clients, although the majority of sales were made to two food companies -Indu Farm AG of Switzerland and Belgian Coldstores Limited. Significantly both of these were outside the traditional British market.

Fortex was one of a number of firms to enter processing in the wake of delicensing (1981) and was thereby a 'new entrant' (Hartley, 1989; Savage, 1990). The delicensing of the processing sector (1981) allowed the group to build its own processing facility and the Seafield plant was constructed (1982). Seafield was built to combine the slaughter of deer and the further cutting of frozen lamb. The plant was very small and was built decidedly 'on the cheap' (interview, Manager #5).<sup>4</sup> It offered only the minimum facilities required by an export slaughterhouse. A staff of only 30 was employed on the site. Its throughput was targeted at slaughtering only 42 deer every two working days. The deer slaughtering premises (DSP) constituted a 'mini works' with its own stockyards, pens and slaughtering facility (interview, Supervisor #1). Whenever there was insufficient deer available for slaughtering, the character of work at Seafield switched to the further cutting of frozen lamb. This further cutting was undertaken in a large room built some distance away from the DSP and adjoining chillers in which the lamb carcasses were stored.

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4 The respondent was a very senior production manager at Fortex. Unlike the majority of managers at his level, he had become involved in the industry relatively late and after a career in other industries and countries. He was cynical rather than critical of the centrality of farmers and the Board in the industry. That is, he accepted that without the Board farmers would have fared much worse than they did in their dealings with firms. However, from his perspective as a manager at Fortex the statutory body appeared as an institution that was occasionally helpful but usually had to be side-stepped. He was also a new farmer and ran a small farm nearby the processing plant.

The group initially relied on PPCS (which had taken over CFM) and Waitaki International to sell it frozen carcasses of lamb to be further processed at Seafield. However, the undoubted success of this and other small ventures in concentrating on the most profitable aspects of processing and niche marketing raised the ire of the incumbent firms and notably the large and integrated marketing firms. Very small ventures, like Fortex, were accused of 'picking the eyes from the industry' (interview, Director #1; also see Hartley, 1989: 93). PPCS and Waitaki International tried to stymie this operation when they refused to sell more frozen carcasses to the group (1984). A contributing factor in the decision-making by these incumbent firms to cease sales to Fortex was the move by the Meat Producers' Board to take over the complete responsibility for the marketing of lamb and mutton (1982-1985). This intervention established a guaranteed market for sheepmeats, albeit one subsidised by Government (interview, Manager #4), and meant that PPCS and Waitaki International gained nothing by diverting their product to Fortex.

The disruption to the supply of frozen carcasses to Seafield encouraged the new firm to commence the industrial slaughter of lambs. A slaughterboard for the processing of sheep was added to the Seafield plant (1985). Around seventy staff were then employed on site. The construction of Seafield also stimulated the consolidation of the group as an unlisted company (1985). The group became the Fortex Group. This formal consolidation facilitated the raising of capital through outside shareholding and the raising of debentures. Further investment in Fortex was required to fund its very rapid expansion. The search for further funding of an enlarged firm subsequently resulted in its listing on the Stock Exchange (1990-1991).<sup>5</sup>

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5 Birss, N., 'Fortex seeks \$6m in capital', *Christchurch Press*, 1/5/91; Dowling, C., 'Fortex seeks listing to aid growth plans', *Christchurch Press*, 27/4/90; 'Fortex issue raises \$10.8M', *Christchurch Press*, 16/5/90; 'Fortex poised for shares listing', *Christchurch Press*, 13/6/90; Rennie, C., 'Fortex to get listing

At the time of consolidation of the group (1983) the major shareholding in Fortex was split between: (1) Freesia Meats (the Meat Producers' Board) that held around 25% of the firm; (2) Indu Farm AG of Switzerland that held around 25% of the firm; (3) National Mutual Insurance and Prudential Assurance that each held around 12% of the firm; (4) the shareholder-suppliers of Fort Export Limited who held around 6% of the firm; (5) its founders, especially Graeme Thompson; and (6) various small shareholders. At the time of its listing as a public company in 1990 the Meat Producers' Board had sold all its shares in Fortex. The Board/Freesia Meats had been a major investor in the early stages of the company. However, as Fortex moved beyond the small-scale and began to impact on the procurement and marketing operations of Waitaki International and the co-operatives in which the Board had far greater investment, its enthusiasm for Thompson's project waned (see chapter 7). As a result, the decision by Thompson to press ahead with the construction of a plant at Silverstream, in 1989-1990, was met with considerable hostility by the Board. Its shares in Fortex were then subscribed by a number of banking and investment firms.<sup>6</sup>

Production at Seafield was greatly expanded with the introduction of shift work (1988), a move that was made possible after the introduction of the Labour Relations Act (1987).<sup>7</sup> Thompson further augmented the firm's plant at Seafield by adding rendering (1989), a fellmongery (1990) and a casings department (1993), and purchased cold store facilities in Ashburton (1989).<sup>8</sup> In his boldest move Thompson pushed

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shortly', *National Business Review*, 27/4/90; Topp, N., 'Fortex listing given market prominence', *Christchurch Press*, 23/6/90.

6 'Fortex details rights issue', *Christchurch Press*, 10/7/90; 'Freesia sells Fortex stake', *Christchurch Press*, 16/12/89; 'Fortex Shares sold', *Christchurch Press*, 27/1/90; 'Listing step closer for Fortex Group', *Christchurch Press*, 8/6/90.

7 'Fortex deal may see 1.5M kill', *Christchurch Press*, 22/12/88.

8 'Approval for Fortex proposal' *Christchurch Press*, 9/11/90; 'Fortex confident of growth prospects', *Christchurch Press*, 7/12/91.

through, against the arguments from his own managers, the building of a new plant with follow-on departments at Silverstream (1990).<sup>9</sup> He also purchased a venison plant at Tauranga (1989) and purchased a 15% stake in Phoenix Meat (1994).<sup>10</sup> At the time of its closing Thompson's firm employed nearly 1800 workers and salaried staff at its three plants and Head Office in Christchurch. The combined throughput of Seafield and Silverstream in their last season of operation (for Fortex) represented about a 10% share of the annual sheep kill.<sup>11</sup>

### **Narratives, rhetorics and awards.**

In August of 1990 the Fortex Group became listed as a public company by the Stock Exchange of New Zealand. Thompson's decision to seek public shareholding excited considerable attention, especially from the media. Fortex Group was one of the first corporations to be publicly listed in the wake of the disastrous share market crash of 1987, and it was the first agribusiness firm to seek public shareholding after the demise of Waitaki International (1989). A blaze of publicity accompanied its listing, wherein Fortex enjoyed the status of a saviour to the export meat industry and to the broader economy.<sup>12</sup> Mike Moore, Prime Minister and Minister for Trade, for example, offered elaborate rhetorics on the place of the company in

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9 '500-job Fortex plant for Otago', *Christchurch Press*, 23/11/90; 'Second plant for Fortex', *Christchurch Press*, 27/1/90; Chalmers, H., 'High level of automation in meat processing plant', *Christchurch Press*, 7/12/90.

10 Fortex purchased a 59% holding in Summit Deer Products Limited in 1989. 'Fortex deer arm in \$207,645 profit'. The firm became a wholly-owned subsidiary of Fortex in 1991. 'Fortex considers venison plant', *Christchurch Press*, 29/5/90; 'Fortex to bid for Summit', *Christchurch Press*, 14/3/91; 'Fortex to mop up Summit', *Christchurch Press*, 14/3/91.

11 Archibald, J. and N. Topp, 'Pay-cut plea fails as 1800 jobs go', *Christchurch Press*, 26/3/94; 'Fortex eyes profit lift', *Christchurch Press*, 29/11/90.

12 Hutching, C., 'Shaking the system', *New Zealand Business*, October, 1990

his vision of the new society that the fourth Labour Government had ushered in:

“Management and staff and unions... have made a difference. So have the people at Fortex meat company in the South Island, which is an export winner. The people there are creating new jobs, while elsewhere freezing works close. At Fortex they have shift work, new technology, they have excellent marketing for New Zealand’s products. They are making a difference for themselves and New Zealand at home and abroad.” (Moore, 1990).<sup>13</sup>

In addition to Moore other “politicians, award givers, public relations advisers, share analysts, business buffs” combined to make Fortex the most favoured company in New Zealand.<sup>14</sup> The acclaim from nearly all quarters coincided with a succession of business awards and honours. Fortex was declared the ‘company of the year’ in 1990. It won the Tradenz-Air New Zealand’s Exporting Excellence Award in 1992. It was awarded the TVNZ-Marketing Magazine’s Business to Business Award in 1993. Graeme Thompson as managing director was granted the Order of the British Empire for his contribution to the export meat industry in the New Year’s honours list of 1991.<sup>15</sup>

The awards lauded the Fortex Group and its founder for an intervention into the industry that promised to erase the failure of Waitaki International. The narrative of the success of the new company appealed to a variety of actors. It stood in stark contrast to the narrative of Waitaki International, which never transcended that of a threat to farmers. The narrative of Fortex was constructed as follows.

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13 Moore, M., ‘The Prime Minister’s Address to the Nation’,

14 Brett, C., ‘Silence of the lambs’, *North and South*, July 1994; Macfie, R., ‘Strong profit lift by Fortex’, *National Business Review*, 5/11/90.

15 Brett, C., ‘Silence of the lambs’, *North and South*, July 1994; Keenan, D., ‘Fortex named company of the year’, *Christchurch Press*, 22/11/90; Turner, M., ‘Fortex accused of price undercutting’, *The Dominion Sunday Times*, 24/3/91.



The activities of further processing of chilled lamb in New Zealand were equated with the adding of value to New Zealand's single most important export. The adding of value was championed as a distinct break with and advance over the old-style carcass oriented industry. Adding value to the carcass was a panacea for the industry. In this narrative much larger firms that adopted other strategies in an effort to supply the overseas markets were (as in the case of the Primary Producers' Co-operative Society and the feedlotting enterprise based at Five Star Beef) derided as mere 'carcass handlers'.<sup>16</sup>

The public relations surrounding the Fortex narrative also made much of its intimate links with, and the benefits that would accrue to, farmers. The Fortex Group was presented as the product of farmers acting as 'marketers who got into processing' (interview, Manager #1). What is more important is that Fortex could fuel this narrative of a modern meat marketing company. In their 1990 annual report we find the following observations:

"The objective is that by the time the animal is slaughtered, it has already been sold and its contribution to the company is known. The goal of achieving higher margins from added-value further processing has enhanced profitability."<sup>17</sup>

The firm's mission statement was to achieve flexibility in manufacture and be thoroughly market-led. It would undertake the procurement and processing of livestock only when it had already secured a buyer for its highly valued product. To most commentators on the industry the Fortex approach as presented in this narrative seemed a sure winner.<sup>18</sup> The appeal of Fortex to them was that it promised a way

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<sup>16</sup> Brett, C., 'Silence of the lambs', *North and South*, July 1994.

<sup>17</sup> Fortex Group Limited, Annual Report: 1990, cited in O'Brien, P. V., 'Fortex report makes impressive reading', *National Business Review*, 4/12/90.

<sup>18</sup> Chalmers, H., 'Lamb trade move to quality forecast', *Christchurch Press*, 29/6/90; Dowling, C., 'Fortex has healthy profit', *Christchurch Press*, 3/11/90;

forward, it was writing a new chapter in the history of the export meat industry. This new chapter was self-consciously referred to as 'the Fortex Way'. This was the name given to it by the managers, supervisors, team leaders and union officials I interviewed at Seafield and Silverstream.

### **Transformation of the industry.**

"... the group must have the ability to change the specifications of its products within days." (Linn, 1990).<sup>19</sup>

Thompson's project was to make Fortex 'the world's butchers shop' and the management at Fortex (especially its marketing managers) envisaged a new type of integrated firm; one with the capacity to exactly customise its products and to supply them to customers all around the world. In striving for this ideal, the firm aimed at the internalisation and the relocation of work from butchers' shops in the United Kingdom to export slaughterhouses in New Zealand. Thus, Fortex tried to deviate from the norms of the traditional industry by internalising further processing, relocating it to New Zealand, and making the new factory the cornerstone of its operation. In other words, the activity of this new niche marketing company involved the combination of activities across what was a global industry into a new form of vertical integration which in a sense surpassed even Neilson's project. It is worth noting what was involved in this apparently simple addition to the operation of an agribusiness firm.

It has already been noted that the activities of the procurement of livestock, processing, further processing, marketing and final

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Macfie, H., 'Strong profit lift by Fortex', *National Business Review*, 5/11/90; O'Brien, P. V., 'Fortex report makes impressive reading', *National Business Review*, 4/12/90; Weir, J., 'Fortex makes splash with evolutionary breakthrough', *The Dominion Sunday Times*, 3/6/90.

<sup>19</sup> Linn, M., Marketing Manager, Fortex Group Limited, cited in 'Shareholders satisfied with Fortex's progress', *Christchurch Press*, 15/12/90.

consumption are separated physically by many thousands of kilometres. The networks for the supplying, processing and selling of meat are truly global and vertically integrated firms established the dominant form of business across the international trade. Vertical integration allowed firms to bridge the vast distances and to control their labour processes. In the 'old-style' industry, the industry that Neilson was familiar with, the physical gulf across the industry fell between the activities of processing and of further processing. Primary processing occurred in New Zealand and further processing occurred in Britain. A standardised product -of relatively low value- was shipped from New Zealand and distributed through the markets in Britain. The refrigerated infrastructure in Britain was controlled for the most part by international agribusiness firms. The firms who controlled the bulk of this export product operated only as wholesalers (Cornish, 1995) and thereby maintained an arms length relationship with the activities of further processing.

While the largest and the most successful of these international entities vigorously pursued vertical integration, the strategy was always more-or-less delineated at the stage of further cutting. Borthwicks, Vesteys and even Towers all owned chains of butchers' shops, but these investments were relatively insignificant. The bulk of frozen meat, the old-style international agribusiness firms were responsible for importing, was subjected to further cutting in the many thousands of independent butcheries dotted around Britain (Harrison, 1963; Knightley, 1981).

The international agribusiness firms exemplified the benefits of internalising processing and distribution in conditions of relative certainty (Salais and Storper, 1992). The incumbent firms (Hartley, 1989) initially moved into processing to guarantee supply and the opportunity to process a standardised product. In this regard, the internalisation of processing constituted the control over what

amounted to a stock standard configuration of technologies and labour processes. Hence, the freezing works of the post-war period were remarkably similar in their lay-out. The organisation of activities found in freezing works were little more than derivations of the renowned Chicago system first developed in the 1870s (Hounshell, 1984).

The international agribusiness firms and the largest of the local firms achieved vertical integration around the production of a standardised product, and its distribution by the mechanisms of wholesaling into terminal markets characterised by their insatiability and certainty. The holding of large inventories -or buffer stocks- of the standardised product was the central feature of this form of vertical integration. The capacity for such agribusiness firms to store many weeks and even months of refrigerated throughput allowed them to bridge what were otherwise discontinuous moments in the cycle of activity of the firm. The old-style agribusiness firms essentially sold to final customers from an inventory built up in the preceding weeks and months. Massive cold stores that could hold tens of thousands of frozen carcasses were built at all of the major freezing works. The dockside facilities and depots owned by Borthwicks, Vestey's and Towers could store even more refrigerated meat. The internalisation of this refrigerated storage allowed the old-style, agribusiness firms to operate the procurement of livestock and the processing of meat in New Zealand with considerable autonomy from the wholesaling and retailing undertaken in the United Kingdom. Procurement of livestock and processing of meat were governed by seasonality which in the northern hemisphere also cemented the traditional 'window of opportunity' for the supply of the United Kingdom.

In the old-style industry, the international agribusiness firms were able to significantly control the quantities of meat / standardised product that entered Smithfield, other auctions, and the butchers' shops. The

manipulation of the quantity of meat available for sale allowed these agribusiness firms to shape prices and to enhance their revenues. The integrated agribusiness firms were thus able to exercise the power of an oligopoly over retailers, wherein a few large sellers confronted many small buyers.

The configuration of the standardised product that empowered this oligopoly was achieved by the blast freezing of the dismembered bodies of beasts immediately after they came off the slaughterboard. The frozen carcass thus entailed the modification of fresh meat only to the extent that it could be safely preserved, transported and then stored and wholesaled in the United Kingdom. Beyond the procedures required for its packaging and refrigeration the raw materials made available by industrial slaughter were left largely intact. This is what happened, for example, at Waitaki International.

However, the concentration of buying power into the hands of large supermarket chains was to fundamentally alter the relationship between the wholesalers and the buyers of food in the United Kingdom. The development of their retail hegemony was to end the power of the wholesaler across a variety of commodity chains (Burns, 1983; Burns, McInerney and Swinbank, 1983b; Hunt, 1983; Mordue, 1983; Senker, 1988; Smith, 1990). The networks in the export meat industry were no exception, butchers' shops -like grocers' shops and tobacconists- were displaced by the supermarkets and hypermarkets. These new and very large retailers drastically reduced the capacity of agribusiness firms to influence or channel the supply of the market. In doing so they weakened the advantages of old-style vertical integration.

As a result of the growth of the supermarket chains, the benefits that accrued to the integrated agribusiness firms from their control over the physical resources of wholesaling were permanently undermined.

Selling a standardised product from inventory, and using large buffer stocks to bind together corporate activities based in New Zealand and abroad, was effectively eliminated as a viable organisational device. The holding of inventory ceased to be an effective lever over the workings of demand and supply and became merely another set of costs against the agribusiness firm.

The supermarkets and other large retailers were also decidedly disinterested in buying meat in the form of the frozen carcass. The new focus among retailers was on consumer ready cuts (Senker, 1988). Thus, the rise of retail control (itself facilitated by the belated installation of home refrigeration in the United Kingdom) created both the potential and the requirement for agribusiness firms to engage in the manufacture of customised products by the further processing of meat. This was the opportunity that Thompson and the new Fortex Group sought to exploit.

### **Re-engineering the factory: The Fortex way.**

The new form of vertical integration championed by Thompson at Fortex bridged a physical gulf across the networks in the industry that fell between the activities of further processing and marketing. A fully customised product -of very high value- was shipped and often air lifted from New Zealand and sent to restaurants, hotels and supermarkets all around the world. This new form of vertical integration required that Fortex transform the activities of its further processing into a variant of bespoke manufacture in order to transcend the limitations of niche marketing.

The firm adopted an approach to the linkage of procurement, processing, further processing and marketing that had many similarities to the techniques of just-in-time production (deLuzio, 1993a, 1993b). Narratives of success, of course, gloss what in practice was an attempt

to resolve differences within and between the activities and the actors that controlled them in the different spheres of procurement, processing, further processing and marketing. Fortex set out to rework these sets of activities by pulling the actors together into a continuous moment in the cycle of activity of the firm. The aim was to establish an allocation of resources that was at all times hyper-sensitive to diverse markets. This effort to undertake a form of bespoke manufacture (Piore and Sabel, 1984) was significant in repositioning the union.

"In this game you can't afford to have quality slipping... One of the really significant factors today is speed, the telecommunications, technics and that, and also the speed of the meat actually getting to the other side of the world. A container can leave here (Seafield) on Wednesday and it is in the European Community before our Friday. So it leaves here Wednesday, and a day, just over a day and a bit, and it is on sale on the other side of the world. Now if it is not right you can lose the order as quick." (interview, Union official #1).<sup>20</sup>

Recognition of this from the union was also important for the firm. In order for Fortex to become the world's butchers shop, the firm was driven to eliminate all types of inaccuracy in its assessment of quality and of costing. The pursuit of continuity in its cycle of activity required continuity and precision in decision-making and unlike in Neilson's day a union on side and committed.

In this arrangement there was a great potential for miscalculation in the alliance of the factory and of marketing pursued by Fortex. Accuracy in the assessment of these two dimensions of manufacture

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20 The respondent had worked in the industry for many years, combining employment as a slaughterman with various other jobs in the slack. He had been made redundant by plant closures some years prior to joining Fortex. He had not been previously active in the union. He was also a farmer and argued that employment in processing allowed a significant number of the workforce to run small farms and other businesses. His farm adjoined that of one of the production managers (and boss) which stimulated a constant banter between the two about the state of the other's pasture and stock.

was absolutely pivotal to the operation of the Fortex Way. Thus, Fortex was 'lean and mean' (interview, Manager #1; interview, Manager #11). The efficiencies granted were to enhance the bottom line but were also problematic for securing a successful embedding of further processing in the firm and of the firm in the networks in the industry (Krafcik, 1988).

Potential errors in this arrangement were likely to be both manifest and hidden. The issues of quality and costing pertained, mainly, to the suitability of raw materials, the effectiveness of remuneration and supervision, and the minimisation of opportunity costs. This trio reflected the hyper-sensitivity of the new firm to the market. The urgency to control quality and costing reflected the complexity of the firm's operations the drastic truncation in the timespan of deals and reflected the absence of buffers in the form of frozen carcasses.

Contrary to the narrative of Fortex, which tended to stress its high technology nature this attempt to put together a new factory did not deploy anything in the way of novel technologies or work practices, at least not in the absolute sense. Meatpacking in North America moved to the further cutting of meat in the 1950s and the modern meat processing factory was actually more labour intensive. Seafield and Silverstream were exemplars of the new factory not because of high technology, but because of ways in which they attempted to utilise new work practices and contractual arrangements. In other words, their novelty related not to the use of advanced machinery but to the deals made inside the factory with labour and outside the factory with farmers and buyers.

### **Being market-led is not the same as being marketing-led.**

How then did an attempt at a market led company work out? Although the firm enjoyed a couple of standing orders with Indu Farm



and Belgian Coldstores, the main thrust of its early development came from an aggressive search for new clients and new orders. In pursuing these deals the marketing staff (based mainly in Europe) stressed the capacity of Fortex to customise its end product. That is, they stressed the flexibility of the plant. In this regard, the successes of the marketing arm -organised as subsidiary companies based in the United Kingdom, Belgium, the USA and Hong Kong- established recurring dilemmas for the plant(s).<sup>21</sup>

The relationship encompassing the demands of marketing and the operation of the plant was resolved by an essentially, one-way flow of information: the marketing concerns sent customers' orders and other instructions to Head Office, and the staff from Head Office made regular visits to Seafield. Making operational this flow of information - from marketing to plant- was secured by the decision-making of key personalities involved in the firm, of whom Thompson was central. Thus, the recurring issues of organising the work in the plant(s) were actually, ultimately, resolved by bargaining between managers and a series of one-off deals. In these affrays marketing staff were typically able to direct and then redirect the activities of processing. Hence, the marketing staff settled the allocation of resources and therefore the timetables of processing.

The sway of marketing became more pronounced after the move to shift work at Seafield (1988), especially where supervisors of the night shifts (a lower tier of management than could be found on plant during the day) were confronted by managers from Head Office. However, this type of intervention also became more problematic. That is, the interference by marketing staff (who were concerned with their supply deadlines and not the complexities of further processing) became increasingly counter-productive. For example, a marketing

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21 'Fortex profit returns to tune of \$2.86M', *Christchurch Press*, 1/11/89; 'Overseas interest in Fortex surfaces', *Christchurch Press*, 28/3/94.

manager might insist that the cutting of one order be abandoned for another, or that an order be released for shipment without the normal checks on quality.

The limits to the utility of the informal practices by which the plant(s) was subordinated to its marketing arm, was reached largely as a result of the growth in the size and complexity of the firm. Fortex enjoyed a much larger throughput following the enlargement of Seafield and the opening of Silverstream. In its first year of operation the Silverstream plant established a new record for the number of sheep killed in an export slaughterhouse in a single working week.<sup>22</sup> However, the firm was also faced with a sharp increase in the number of rejected orders.

Two technical reasons for the rejected orders were highlighted by management at the plants: (1) the order was rejected because it was found to have too high an incidence of bacteria (the bacto count) and as a consequence a shortened shelf-life, or (2) the order was rejected because it was out of specification. The cause of both was partly attributed to the unwanted interference from Head Office. Problems of the first type usually required Fortex to drop its price for the product. This discounting allowed the retailer to drop their price to ensure that the product was sold within its reduced shelf-life. Problems of the second type required Fortex to drop its price and/or to undertake re-work. Re-work meant that the meat was returned to the cutting room and re-processed at the company's expense. Re-work cost the firm several hundred thousand dollars in 1989 and 1990. In short, the undoubted advances the firm had made in terms of quantity seemed to collide with its commitment to high quality and effective costing. One production manager had this to say:

"Oh it (re-work) was bloody dreadful, but it wasn't only the people here (at the plant) fault. There were also people

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22 'Record at Fortex', *Christchurch Press*, 24/5/91.

in Head Office saying: Well it is ready, send it. And people here saying: Yes, but we haven't checked the bacteria. Don't worry about it, send it...

Anyone from Head Office who wanted to walk in here and tell people to do something felt that they had that right. So one of the difficulties I had when I came here was people (who) would arrive down here. I would see them walking down the corridor and I would say: Who are you? Oh I am here to do this. And I would say: No you are not! Go back, fuck off to Christchurch, and then ring me up and make an appointment to come down here. I will see whether we have got time to talk to you." (interview, Manager #5).

The transition from a small to a relatively big enterprise necessitated the adoption of formal practices to link marketing and processing. The formalisation of the practices of decision-making also co-determined a (partial) redressing of the imbalance between marketing and the plants. The opening of the plant at Silverstream further exacerbated the issues of size and complexity, and heralded a shift in the composition and structure of senior management at Fortex. Fresh appointments were made to oversee Seafield and Silverstream and these new plant managers were also appointed to an enlarged board of directors. A manager records what this enlargement meant:

"What happened was as the place grew, the philosophy basically stayed until it (the firm) went into slaughtering. At that point they changed the size of it. It sort of went from a small company, where everybody knew each other... When the slaughterboard started all the old hands felt a bit betrayed and stuff, because the new guys got better conditions and you know all those sorts of things. Suddenly there were not so many visits from the likes of Graeme Thompson and Michael Mullen (the company secretary), and there was more business orientation and financial controls and things of this nature." (interview, Manager #2).

These were significant developments, and they enhanced the management of the plant while advancing the integrity (if not the

autonomy) of Seafield and Silverstream (interview, Manager #1; interview, Manager #11).

The firm was to replicate the history of financial control in the modern corporation in miniature (Johnson and Kaplan, 1987) when it belatedly jettisoned its adherence to informal practices of decision-making. In doing so, Fortex tried for a new balance between marketing and processing, one that approximated and paralleled the workings of the market and minimised its costs (Chandler, 1978, 1990). The firm did so in order to properly cost its internalised customer-supplier exchanges (Hopper and Armstrong, 1991). To this end, both Seafield and Silverstream were 'paid' by the marketing arm of the firm for their endeavours in processing and any deficiencies in the end product were charged back against the plant. The plants received a nominal payment for their activities. Seafield and Silverstream were paid for the slaughtering of livestock and the dressing of carcasses, the working up of casings, the treatment of pelts, the handling of offals, the refining of blood and off-cuts, rendering, and the further cutting of meat. Later it would be discovered that this method of accounting allowed for extensive cover-ups and false entries on company records.

One manager, who had been at Seafield since its beginnings, bemoaned that with the start-up of Silverstream, and the hiring of new managers and supervisors, and the introduction of new financial controls, the company had been transformed 'from a marketing firm into an agribusiness firm' (interview, Manager #2). Part of his assessment reflected the griefed for loss of informality and with it familiarity, part of it was a response to the new burdens and constraints placed on all staff at the plants. The devices of cost accounting formalised and underscored the responsibility of management (and workers) at the plants for costing and for quality. Indeed, the drive by Fortex to re-engineer the factory and to make it led by the market, had its true beginnings in this belated recognition of

the complex accommodation that was actually needed to link processing and marketing.

However, re-engineering the factory and its linkage with the marketing arm could not be achieved by fiat. Last minute demands by senior marketing managers from Head Office were proven as ineffective. Their dominance was to spread confusion, destroy the scheduling and order of work and increase the need for re-work. What was required were new deals done from inside the factory and not merely ordered by Head Office. What was required was a new plant management to oversee a new arrangement of work.

### **New technology or new ways of working.**

"I had a guy (a researcher) in the other day who turned around and said he was here to look at Fortex because of all the new technology that he said we have got. And, I sat and listened to what he was saying, and I thought we have got a bloody good PR machine because this guy's perception of Fortex is all this new technology, because there is nothing new in (this) technology." (interview, Manager #6).

Having stressed the problems associated with Fortex's management of the new factory, it is also worth noting that the plants at Seafield and Silverstream were among the newest and most efficient in the industry. The plants were designed from the outset to be efficient in all of the activities leading up to the further cutting of chilled meat. They deployed the best of available labour-saving technologies. However, most of the 'new' and labour-saving technology at Seafield and Silverstream was located in and around the slaughterboard. Ironically, the slow accumulation of innovation available to the industry had allowed for the automation of chunks of slaughterboard just at the time when its reconfiguration had ceased to be seen as a solution for the problems confronting processing firms. Indeed, as noted above, the shift to further cutting reintroduced and intensified the centrality of

a manual labour process (albeit a different manual labour process) that had dominated the old industry.

In the stock yards, the yells of shepherds and incessant barking of their dogs was replaced by an automated system of yarding and washing the livestock. The stockyards were connected by automated runs and gates. Mobs of sheep were directed through the maze of yards by a microprocessor, which opened gates in front and closed those behind the sheep. The animals were moved into the sticking pens -the first workstation on the slaughterboard- by conveyor belt. This conveyor moved the sheep up the last few metres of pens and through a narrow turnstile. The turnstile then turned and forced the beast's head against the electrical stunner. On contact another microprocessor then zapped the creature, and the turnstile executed a half turn that dropped the insensate animal into arms of the men in the sticking pen.

The slaughterboard at Seafield and Silverstream looked much the same as those found in other processing plants. The machines that made these chains two of the most efficient in the country were hardly obtrusive. Significantly, however, whereas a slaughterboard in one of Neilson's plants processed about 7.6 animals a minute with a manning of up to 55, Silverstream processed over 9 animals a minute with a manning of only 32 (interview, Manager #12). The slaughterboards at Seafield and Silverstream handled livestock using the 'inverted system' in which a sheep was suspended from all fours (rather than from its hind legs) for its journey along the first half of the chain. This inverted hanging of the beast facilitated the initial cuts made to dress the carcass and allowed the re-ordering of dis-assembly (that was required to introduce new machinery). Most of the slaughterboards around the country became converted to the handling of carcasses by this arrangement in the mid 1980s.

Five new pieces of machinery (not found on the traditional slaughterboard) were positioned along the chain. Firstly, hand held mechanical flays replaced the knife for making the all important 'Y cut' to the chest and along the front legs of the carcass. The flays were small circular saws positioned at the end of a short staff. They were water powered (rather like a dentist's drill). Secondly, and further down the chain, was the automatic neck breaker. This machine snapped the neck of the animal by guillotining it between two moving bars. The action of the machine snapped the spinal cord and stretched apart the vertebrae. This operation then enabled the head to be severed by a single knife stroke. Thirdly, an automatic cross-over machine re-positioned the carcass. It eliminated the need for one man from the traditional chain. The carcass was switched from its inverted position to one hanging from its hind legs. Fourthly, was the automatic de-legger. This machine incorporated its own microprocessor to locate the trotters, clasp them in its grip and sever them by mechanical shears. It eliminated four men from the traditional chain. Finally, came the pelting machine. This was little more than a powerful mechanical arm. Each carcass stopped briefly before the arm and a worker clamped it to the top of the (by then loosened) pelt. At the push of a button the pelting machine pulled off the pelt and dropped it into the chute leading to the fellmongery. Immediately after pelting a barcode was attached to both the carcass and its pelt. This barcoding provided each with a unique number and information used in the payment of farmers and further processing (Tyson, 1990).

### **The integration of hot boning.**

The activities of further processing can be applied to either frozen or chilled meat. The working up of frozen meat is called 'cold boning' and that of chilled meat is called 'hot boning'. Cold boning was the industry standard for further processing until the mid 1980s, when

techniques of cutting unfrozen meat became the new industry standard (Hartley, 1989).

The addition of cold boning to freezing works represented a fairly simple augmentation of the existing activities of processing. In this regard, further processing merely modified the standardised product. A portion of the throughput was diverted into the cutting room after it had passed through the blast freezers:

“That is why at a lot of works like Ocean Beach, Smithfield and Islington, if you flew over the top of them you could see the old buildings and where they have stuck on bits to cope with (further processing)... Those sort of works used to kill the sheep and then straight on the ship. And that was it. They added a cutting room, and they have stuck a bit here and they have stuck a bit there.” (interview, Union official #2).

Cold boning was done in cutting rooms where the ambient temperature remained almost freezing. This form of further processing did not disrupt the preservation of the meat by freezing. However, the freezing of small and meal-sized portions of meat made them very prone to a deleterious side-effect called ‘freezer burn’. Freezer burn is the manifestation of the damage that is caused to cellular tissue by freezing. Freezer burn is associated with a loss of flavour and discolouration of the meat. It has its most obvious effects on the surface of the frozen meat. With frozen carcasses it was relatively straight forward to trim off the surfaces badly effected by freezer burn and to reveal the undamaged volume of meat. With consumer ready cuts and meal-sized portions the trimming of damaged product is not viable.

Furthermore, the location of the labour process in a refrigerated room made the further cutting of meat and its transformation into a range of consumer ready cuts very arduous. Frozen meat is a raw material that



is very difficult to cut. Subjecting it to detailed knife work is not only difficult it is dangerous to the worker. Thus cold boning was better suited to, and was typically restricted to, making a limited range of fairly simple cuts and end products.

Techniques of hot boning were trialed in the mid 1980s. These experiments in a new labour process coupled with the development of methods of preservation for chilled meat became a major research project of the Meat Industry Research Institute of New Zealand (MIRINZ). In many regards, this re-orientation of research and development provided some relief to the Institute following the failure of its earlier experiments with a mechanised chain.<sup>23</sup> The key technological break-through (although technology transfer might be a better description) was the development of CAPTECH packaging. This form of packaging cling wrapped the chilled meat and used carbon dioxide gas as a preserving medium. The shelf-life of chilled meat using this form of packaging is up to sixteen weeks.

Thus, hot boning eliminated the need to freeze meat. Chillers and advanced methods of packaging replaced blast freezers as the basis of preservation. The temperature of meat was brought down and kept at some degrees above freezing, at which point the processes of decay are nearly checked, although the meat remains pliable and easily cut. However, the use of hot boning requires a qualitative advance in the area of hygiene. The elimination of bacteria in all facets of hot boning becomes absolutely vital. A high 'bacto count' will result in a halving in the shelf-life of chilled meat.

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23 "For more that 20 years MIRINZ research has been largely devoted to enhancing the quality of whole carcass meats, work that is still essential. However, it is generally accepted that the future viability of the Industry must be secured by adding value through further processing. 'Further processing' is defined as a stage beyond the immediate fabrication of carcass meats, into boneless or bone-in cuts and involves physical, chemical or thermal modification of the raw meat into restructured forms." (MIRINZ, 1984: 7).

The early trials by Fortex in further processing at Seafield broke down frozen carcasses. The construction of a lamb slaughterboard at the plant allowed the introduction of hot boning. The firm became fully given over to this form of handling sheepmeats, to the extent that neither the Seafield nor the Silverstream plants had blast furnaces nor the capacity to store frozen meat. In this regard, the firm also strived to match the ideal of just-in-time production by minimising its retention of inventory.

The cutting facility at Seafield was a large rectangular room, in which work was organised around three parallel conveyor belts, and a smaller room used for packaging. At the height of its operation 52 workers were employed in the cutting facility on each shift, and each shift further processed around 3000 carcasses. Around 40 workers were engaged in the activities of cutting while the balance of the staff worked 'out back' in the packaging room.

At times of peak workloads some of the experienced staff from the packaging room could be brought into cutting. Normally the two workforces did not interact, largely because the restrictions on hygiene limited the movement of people. The cardboard cartons into which cling wrapped portions of meat were packed and shipped were regarded as potential sources of bacteria. Neither the cartons nor the staff who handled the cartons ever came into contact with exposed meat. The cutting staff wore white caps and gumboots to distinguish them from the packing staff, who wore blue. Thus, any staff brought into cutting from packaging had to scrub up and change their overalls and footwear.

The cutting facility handled the previous day's output from the slaughterboard. The barcoded carcasses required for further processing were kept in a chiller adjoining the cutting room. There

they hung from, and could be moved along, an overhead rail. The rail was designed so that, although the carcasses were pushed from the end of the slaughterboard and into the chiller in the sequential order by which they were slaughtered and dressed, they could be re-sequenced by being moved through different branches of the rail (rather like shunting railway wagons!). Half a dozen men were kept busy at this task of re-sequencing the kill. Batches of carcasses that were deemed suitable for further processing were pushed along the rail into the cutting room.

The overhead rail ended at the work area where the carcasses were removed and then pushed, singly, through a vertical bandsaw. The job of the bandsaw operator was to divide the carcass into more easily handled portions. The operator had an assistant who helped position each chilled carcass. The operator's job was an extremely dangerous one with the likelihood of accidentally severing fingers. Normally, but by no means always, the operator made two passes through the saw and divided the carcass in hind, loin and forequarter.

These three primal cuts were usually worked up into consumer ready cuts. As the carcass was passed through the bandsaw and the hinds, and loins and forequarters fell away, the portions were placed on one of the three conveyors. Normally, one conveyor would carry the hinds, another the loins, and the other the forequarters. The conveyors moved through the cutting room at about waist height and each was flanked by stainless steel tables. The conveyor belts carried the meat to the workers, men and women, who did the further cutting using hand held knives. Each worker was assigned to a table and did a particular set of cuts. The worker removed the piece of meat from the conveyor, placed it on the table, did their cutting and returned the meat to the conveyor. Any scraps were dropped in bins next to each worker.

This work was very detailed. For example, one customer might require that a rack of lamb be frenched (end of the ribs exposed) to the depth of 15 millimetres, while another might demand an exposure of 25 millimetres. The work was also very variable. For example, a forequarter could be left intact, or have the neck chops removed, or have the shank removed, or both, or be completely de-boned and rolled. There were a variety of ways of removing the neck and the shank and even more ways of further cutting these portions. On the tables flanking the other conveyor belts the processing of the hinds and the loins offered an even greater complexity.

The allocation of workers to conveyors, tables and assigned cuts depended on how the carcass was to be dis-assembled or, in other words, the orders received from customers. Furthermore, the allocations of staff that were made at the start of the shift only lasted until the completion of the initial order (an order was called a run). Individual orders hardly ever used all of the carcasses made available to the shift. As one customer's order was completed and a new run begun a fresh allocation of staff to jobs was required. These changes in manning were required for every run.

### **Bringing in the union at Fortex.**

Q: So what do you think the problem is with the national union?

A: Archaic and outdated thinking! Like I said earlier, there is no room to be bloody minded. We have got to be as sophisticated as the bosses. I think it is lack of sophistication, lack of appreciation of problems... It is no good holding a gun at their heads, or making wage demands of the nature that eventually put the company under. Then there are no jobs. There is no future for anybody in that." (interview, Union official #1).

The interdependence of management and union strategies (Brown and Reich, 1989) that facilitated the re-engineering of Fortex expressed both a continuity and a discontinuity with the old-style of industrial relations typical of Neilson's era. Fortex was driven to an accommodation with the union by the demands of flexibility in manufacture and being market-led (Piore and Sabel, 1984). For its part, the union was very much bound by the process of 'peripheralising' of what had been a core labour market (Novek, 1989; Novek and Yassi, 1990; Portz, 1991; Rachlef, 1992; Stanley, 1992). The collapse of Waitaki International and the ensuing redundancies (Savage, 1990), the influx of aggressive new entrant firms and a shift to greenfield sites (Hartley, 1989), the accumulation of automated technology (Depla, 1988), and especially the rewriting of the legal underpinnings of industrial relations, all served to force the Canterbury-Westland branch and federations of the meatworkers' unions onto the defensive (Gardner and Morgan, 1985; Lane, 1980; Le Heron, 1988b; Meat Industry Study and TUEA, 1988; Morgan, 1984; Rotherham, 1980; Shields, 1982; Sutherland, 1989; Turner, 1984; Walsh, 1983).

The most obvious effect of these deleterious developments on organised labour was its fragmentation. Fragmentation by itself was nothing new to the meatworkers' union. The union was always a relatively splintered entity, and one that secured an organisational unity mainly through the rules of federation. However, the changes to industrial law instigated by the Labour Relations Act (1987) tilted the organisational balance achieved by the federation of the meatworkers' unions, further towards the complete autonomy of the sub-branch (see chapter 6). The important deals pushed through by Thompson at Fortex, especially the introduction of shift work, were made after the abolition of two-tier bargaining by the 1987 Act. In many respects the requirement to formalise these types of deals made by the Act merely extended the long tradition of local deals and of decentralised bargaining. However, what for Thompson was the

major condition for success of a new type of factory was regarded by unionists beyond Fortex as symptomatic of a sell-out.

For the unionists at Fortex the scope and the consequences of collective bargaining were driven by the desire to maximise pay and conditions of work for their members, and simultaneously checked by the new realities of new work arrangements and of job (in)security. To a significant degree these new realities were to lead to a union appreciation of the heightened difficulties of staying in business. This re-orientation on the part of the union at Fortex resulted in a requirement that the union itself be party to reworking the instrumentalism (Eichbaum, 1980; Walsh, 1975) of meatworkers:

"We can't screw the boss for more money if he is not making more money. Its no good screwing the boss and putting him under. In order for us to get more money out of the boss he has got to be making more money. And the way he will make more money is if we are productive and fully employ our work skills to produce a quality product." (interview, Union official #1).

The union's variant of instrumentalism looked forward to the up-skilling of work and the autonomy of the work group (Perry, Davidson, Hill, 1995). In other words, the union at Fortex was committed to enhancing pay and conditions but was equally up front in acknowledging the limits and constraints to any deals. Put another way, the union was explicit in linking pay with productivity, but in addition also argued that any assessment of productivity and pay now required the integration of the dimension of quality and pay alongside the old-style measures of quantity.

"In this game you can't afford to have quality slipping... One of the really significant factors today is speed, the telecommunications, technics and that, and also the speed of the meat actually getting to the other side of the world. A container can leave here (Seafield) on Wednesday and it is in the European Community before

our Friday. So it leaves here Wednesday, and a day, just over a day and a bit, and it is on sale on the other side of the world. Now if it is not right you can lose the order as quick." (interview, Union official #1).

From their perspective, union officials at Seafield and Silverstream further asserted that they and not management (and especially not the front-line supervisors) had initiated and adhered to the deals that kept Fortex in business.

"Q: Did the change in management... make any difference to the management philosophy?

A: Well the other one (manager) was an arsehole anyway, I am still making my mind up about this one. It didn't come from management, you see. It came from the union. The whole thing came from the union.

Q: How did they signal that they wanted change?

A: They didn't say it, we approached them." (interview, Union official #3).

In effect, problems and confusions generated by the struggle between marketing and production management left the union at Fortex as the chief proponent of real controls on quality, for which they demanded pay, and on the accounting for costs. For the union this was necessary if their members were to secure sufficient wages. The union, then, tried to secure employment and maximise take home pays through the imposition of new disciplines on workers that were inherent to the new deals. Within the context of constant change there can be little doubt the advances made by the Fortex Group in industrial relations, by securing shift work and then by re-jigging the procedures of remuneration and supervision, owe something to the enforced re-orientation of the meatworkers' union under the pressures of new and highly unfavourable conditions. At Seafield and Silverstream the unionists I spoke with were determined that the fate of redundancy would not befall their members.

### **The introduction of shift work.**

"The managing director, Mr Graeme Thompson, told the annual general meeting of the unlisted company in Christchurch yesterday that the shifts would allow dramatic improvements in the costs of running the chain, giving better prices for farmers and better returns to the company...

The chairman of Fortex, Mr John Austin, commended the Meat Workers' Union for its 'positive and enlightened attitude'." <sup>24</sup>

Re-engineering the factory involved a spiral of deals, in which any gains in making the firm more effectively market-led immediately raised the potential (and the need) for further deals. The deals at Seafield and Silverstream were interlinked. No one agreement between the union and the firm stood in isolation from the nexus of innovation that existed in the exercise of industrial relations within the company.

Among all of these deals, those made in and about the cutting room were vital to the plant. The majority of the problems associated with the firm being flexible and market-led were focused on the labour process found in this room. It is in this area that value was added through the generation of customised cuts, and where the processing plant diverged from the old-style freezing works, and where the form of further processing pursued by Fortex mostly clearly necessitated a reworking of the mechanism of control over quality and of costing.

New bargains introduced new mechanisms that tried to ensure: (1) the suitability of raw materials, (2) that workers acquired and used a range of skills over and above those of the slaughterboard, and (3) that, in the absence of complete interchangeability of workers, supervision was adept at the positioning and re-positioning of members of the

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24 'Fortex deal may see 1.5M kill', *Christchurch Press*, 22/12/88.



workforce, and (4) that the specifications made by customers were exactly translated to the cutting room, and finally (5) the maintenance of high levels of hygiene.

These deals also structured the capacity of the firm. Traditionally the number of chains in a freezing works provided its upper limit in terms of throughput and their number was the accepted gauge of a plant's size (Evans, 1985). Thus, the works at Alliance, Lorneville was 'twice as big' as Stevens NCF, Kaiapoi (interview, Supervisor #2); the former had six slaughterboards and the latter had three. Slaughterboards were normally manned five days a week -largely because of the prohibitive penalty rates inscribed in the award for work on Saturday and Sunday. Furthermore, the length of a day's work on a slaughterboard only very rarely exceeded the time required to make tally. The agreements about tally were the products of local deals but were never much more than 3200 sheep per day. The chain was paced at around 7.6 carcasses per minute. Thus, the working day on a lamb and mutton chain normally lasted for about eight hours, although this was broken up by lunch and two 'smokoes' that reduced production time to six and a half hours.

The standardisation and rigidities of the labour process in the old-style industry allowed for the close estimation of throughput for each chain, freezing works, and firm. The two largest firms running in the South Island, Alliance and PPCS, each operated about 25 killing chains. That is, they each could process around 400,000 sheep a week. By contrast when Seafield and Silverstream were fully operational Fortex

"would be processing 20% of South Island lamb kill on two chains; the other 80% would be killed on 62 chains." <sup>25</sup>

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25 'Fortex eyes profit lift', *Christchurch Press*, 29/11/90.

In this way, Fortex disrupted the norms of processing of the industry. Seafield and Silverstream were built and operated as 'single chain meat plants' (interview, Manager #1). This configuration reflected the lowest cost way of entering into the slaughter of sheep. It also meant that, without shift working, Fortex could only hope to process a minuscule share of the sheep kill. With an adherence to the traditional organisation of work its single chain might have processed about 16,000 sheep a week. Improvements to the chain boosted this figure to around 26,000. Shift work boosted it more.

Fortex secured an agreement with the Canterbury-Westland branch of the union to introduce shift work to all the operations at its Seafield plant for the 1988-1989 killing season. This agreement was subsequently extended to Silverstream. Four shifts each operating over three days for eleven hours replaced the five days a week and eight hours a day operation normal to the industry. The hours and days the shifts worked were fixed. The first shift worked on Monday, Tuesday and Wednesday from 6.00 am until 5.00 pm. The second shift worked the same days from 6.00 pm until 5.00 am. The third shift worked on Thursday, Friday and Saturday from 6.00 am until 5.00 pm. The fourth shift also worked the second half of the week from 6.00 pm until 5.00 am.

Workers on each shift were guaranteed a minimum number of weeks of continuous employment each year. The first and second shifts were guaranteed all year employment. The third shift was guaranteed 33 weeks of work a year. The fourth shift was guaranteed 20 weeks. Rostering on the shifts was determined by the union principle of seniority. Workers with the longest seniority were rostered to the first shift. Those with the least seniority were rostered to the fourth shift. Seniority within each department was the mechanism by which it was determined who was offered work whenever a vacancy occurred. Thus, if a vacancy became available on the slaughterboard's second

shift the most senior worker on the slaughterboard's third shift was given the option of changing their hours of work. If the promotion was declined, the next most senior worker in the department was approached until someone accepted the new job (interview, Manager #1)

The agreement reached over shift work allowed Fortex to greatly expand its capacity to process sheep. It effectively quadrupled its capacity. Seafield, and subsequently Silverstream, became capable of processing over 100,000 sheep and Fortex became a major buyer of livestock in the South Island.

### **Balancing the cutting room.**

The introduction of shift work to the slaughterboard at Seafield (1988) created the possibility of very large volumes of meat being available for further cutting. Shift work and then the opening of Silverstream (1990) meant that the firm could handle a level of throughput to which the adding of value would definitely transcend the parameters of niche marketing. Increased capacity placed extra pressures on the activities of livestock procurement and on the marketing arm, but by far the greatest pressures came to bear in the cutting room.

In the early days of the firm there was considerable 'slack' (Oliver, 1991) in the demands of further cutting thanks to the small-scale of the operation. Thus, decision-making operated within a reasonable tolerance for error. However, the qualitative increase in the volume of meat to be cut and the number of orders to be filled made the decision-making in the cutting room a remarkably complicated and difficult endeavour. Two aspects of the further cutting of chilled meat combined to make this task very onerous: (1) the extreme diversity of opportunity costs made it crucial to select the best range of cuts in the dis-assembly of any batch of carcasses, and (2) the extreme

perishability of the raw material required absolute precision in organising the room.

The end products that were made by the processes of further cutting varied very greatly in their value. For example, a boneless breast could be worth \$4.50 an item or \$2.00/ kilogram, while a hind shank could only get 40 cents an item or 15 cents/kilogram.. The main procedure followed in the organisation of further cutting was to target the most valuable cuts of meat from a batch of carcasses and to then 'find homes for the rest'. In other words, the prime undertaking on any shift in the cutting room was to produce the most valuable orders / cuts of meat from the carcass.

The process of dis-assembly often resulted in the making of what could be deemed 'complementary' end products. This complementarity was most obvious where further cutting was done to the discontinuous portions of meat. For example, the hind and forequarters -that were made available by the use of the bandsaw- could be further cut independently of each other. In other words, how the carcasses were further cut incurred no opportunity costs.

However, the process of dis-assembly also resulted in the making of 'substitutable' end products. That is, the way a carcass was passed through the bandsaw, and the way the hinds, loins, and forequarters were further cut, precluded many other uses of the rest of the meat. For example, if a long loin was cut from the carcass then a range of cuts to the forequarters was prevented; and if a pistola (a cut combining the hind and part of the loins) was cut from the carcass then a range of cuts from the rest of the loin and the forequarters were precluded. Substitutable end products or alternative cutting of meat involved an enormous complexity when it came to breaking down the hinds, forequarters and especially the loins. In other words, how the

carcass and especially the smaller portions of meat were cut incurred significant opportunity costs.

While, it was a useful technique to target the most valuable cuts of meat, there were real limits to what extent the simultaneous processing of lesser cuts could be ignored. Chilled meat is a very perishable product and it is doubly so in small portions prior to being vacuum packed. In this regard, the retardation of a high bacto count was all important. Bacteria grows on chilled meat at an exponential rate and, as a result, the prevention of any unnecessary exposure of meat to a bacteria laden atmosphere leads to real benefits. Even a delay of a matter of minutes in the handling of the chilled meat can lead to a jump in the growth of bacteria and the ultimate downgrading of the end product. Therefore, the amount of time that could be spent on the further cutting of any of the portions of meat from a batch of chilled carcasses was very limited. This meant that it was not regarded as feasible to concentrate all of the staff in the making of one particular cut while allowing a build up and backlog of other portions of the carcass.

The importance placed by management on the immediate handling of the portions of meat as soon as possible after they fell from the bandsawn carcass was demonstrated during one of my visits to the cutting room at Seafield. During my visit one of the members of the shift received an official warning from the supervisor for his improper handling of meat. The worker was one of three engaged in removing the bones from a portion of meat called the flap. The flap had been already cut from the loin by a worker stationed further up the conveyor belt. As the flaps came down the conveyor belt and alongside his work station, the worker would remove them and stack them on the table that provided his work surface. This practice by the worker created a small pile of flaps on the table. The worker would then take the flap at the top of the pile and de-bone it. This job took

about thirty seconds and required several passes of the knife. The bones (ends of the ribs) were dropped in a bin and the boned-out flap was returned to the conveyor belt and was carried away to be vacuum sealed. This simple re-sequencing of work was deemed improper because the flaps at the bottom of the pile were not handled immediately. Instead they sometimes lay at the bottom of the pile for several minutes before being de-boned and this delay allowed a measurable increase in the bacto count. The problem was pointed out to me by a supervisor who operated from a glass office from which he could observe the activities of the room.

The problem of balancing the cutting room was of two-tiers: the allocation of orders to a shift and the allocation of workers to jobs. The cutting rooms at Seafield and Silverstream were organised around three conveyor belts that handled the main portions of meat (hinds, loins, forequarters) that fell from the bandsaw. The most important dimension to achieving balance was to ensure the most profitable release of materials from further cutting the batch of carcasses, within the constraints of ensuring an allocation of workers to all three conveyor belts (given that all belts had to be covered at all times) and to specific tasks on each of the belts.

The problems of balance were addressed mainly by the codification of information about customers' orders into standard packages or 'stand-packs'. Every order from a customer required precise cutting instructions that outlined the exact configuration (dimensions, fat cover, etc) of the end product. When this type of information was combined with an outline of how long the product took to make (an estimate made on historical data or on approximations based on the production times of similar orders) the result was a stand-pack. Every order had its own stand-pack. All of the stand-packs were allotted to one of ten categories of production time. The categories ranged from the relatively easily made cuts to the more arduous. Each category of

difficulty had an estimate of the expected throughput per minute of items (finished portions of meat). This estimation of production time measured how many portions of meat (derived from either the hinds, or loins, or forequarters) could roll off a fully manned conveyor belt (12-15 staff).

**Table 8.1: The ranking of stand-packs.**

<u>Categories</u> <u>of production</u> <u>times.</u>	<u>Expected</u> <u># items</u> <u>/minute.</u>
1	7.23
2	6.67
3	6.25
4	6.00
5	5.77
6	5.50
7	5.22
8	4.84
9	4.35
10	3.70

A shift involved nine and a half hours production time. In other words, the three conveyor belts each operated for 570 minutes and the task at hand for production management was to maximise the effective use of this time. The production manager also had to handle a bundle of orders each with due dates and so this aspect of timing also impacted on the allocation of orders to shifts. Each shift in the cutting room was assigned about 3000 chilled carcasses that were made available by activities of slaughter, dressing, barcoding and chilling done the previous day. The number of carcasses was budgeted to keep the shift fully active and to be sufficient for further cutting into a predetermined variety of orders. Typically (but not always), these carcasses would be divided by bandsawing into 3000 hinds, 3000 loins and 3000 forequarters. This meant that the production manager had to ensure that the production time on each of the belts needed to

make the cuts to (and to fill orders from) these basic portions of meat summed to 570 minutes.

Thus, the cutting instruction for a (hypothetical) shift could require the dis-assembly of exactly 3000 carcasses. All of which were to be bandsawed into hinds, loins and forequarters. The further cutting of these primal cuts involved (only) 8 stand-packs. The hinds were transformed into (a) 3000 boneless short legs with the shank left on and the flanks untrimmed. The loins were all divided into (b) 3000 bone-in flaps, (c) 1500 long loins, (d) 1500 tenderloins. The forequarters were cut into (e) 3000 4 shoulder chops (12 mm thick), (f) 3000 fore shanks, and (g) 800 3 neck rings (16 mm thick), (h) 1200 4 neck rings (10 mm thick). However, in calculating the production times necessary to fill these orders, it was crucial to avoid any double counting. A single pass of the knife could release two portions of meat. Thus, the making of Stand Packs (c) and (d) simultaneously released stand-pack (b); and the making of stand-packs (g) and (h) simultaneously released stand-pack (f). Since no further cutting of the flaps (b) and the fore shanks (f) were required, they did not need to figure in the calculations of production times (on the conveyor belts).

**Table 8.2: Scheduling a shift.**

Stand-pack.	Category.	Budgeted time/belt.	% of 570 minutes.
<u>hinds.</u>			
a. (3000 items)	2	<u>450 minutes.</u>	<u>78%</u>
<u>loins.</u>			
b. (3000 items)	-	-	
c. (1500 items)	2	225 minutes.	
d. (1500 items)	6	<u>272 minutes.</u>	<u>88%</u>
<u>forequarters.</u>			
e. (3000 items)	2	450 minutes.	
f. (3000 items)	-	-	
g. ( 800 items)	3	128 minutes.	
h. (1200 items)	3	192 minutes.	135%



This break down of production times indicates that the unused time on the conveyor belt where workers were processing the hinds (120 minutes) and on the belt processing the loins (73 minutes) could off-set the excess time on the belt processing the forequarters (200 minutes).<sup>26</sup> In this case, a transfer of workers from the under utilised conveyor belts would allow the complete dis-assembly of 3000 carcasses into the eight orders.

The calculation of production times, of the composition of further cutting and the production target for any shift was explicitly linked to stressing the very averages that underpinned those calculations. This extreme flexibility in the allocation of tasks required the co-operation (the pro-active co-operation) of the workforce. This co-operation was secured by re-jigging the procedures of remuneration and supervision.

### **The modification of remuneration.**

“Q: So it is where you have variability... that is where you try to develop procedures or protocols... to produce a standardised payment?

A: A fair payment system. Not a standardised payment system. We pay them now for the work they do. And if there are higher degrees of difficulty, as they have got to bone everything right out, then we pay them more money for that carcass.

Q: It was driven from below? Because they perceived the old system to be unfair?

A: We also accepted it was unfair. And as a company being market-led we had to agree with them. But what it

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26 The above table shows a hypothetical example. The stand-packs were regarded as extremely commercially sensitive information and Fortex was believed to have fallen victim to industrial espionage. At the time of the closure of the firm, a previous plant manager and a shift supervisor were facing criminal charges (independently of those laid against the directors of the firm) for trying to steal this information. At my query one of the managers at Seafield estimated the value of this information as being in the hundreds of thousands of dollars to a competitor.

did was to also put a little more pressure back into marketing. Because when we got paid for the more difficult cuts, they couldn't sell them. They had to watch how they sold them. So it balanced the whole thing right up.

Q: That is a very finally balanced system?

A: Bloody oath it is! But we go to the marketing now. And they have this guy on the other side of the world and this guy wants a special cut. They have to turn around and say, yes we can do it... Then they have to work out their costs, if we haven't done that before. And then they have to come back and say, now how can we apply this. We have got this degree of difficult for this particular cut..." (interview, Manager #6).

Here again then, we see that it is the union or the worker who was caught between the demands of marketing and the requirements of processing. Inevitably in this three cornered arrangement the union was required to either agree to an alliance with production management or with marketing. Given the pressures involved it was always going to be the former. What is interesting is that the union was to be the promoter of the alliance and not production management.

The procedures of remuneration first used in the cutting rooms at Seafield and Silverstream recycled the norms of the networks in the industry. Pay was calculated on the basis of piece work and only rewarded the number of carcasses dis-assembled each shift. Like most piece rates used in the industry the rewards for doing the work were calculated on a pool basis. The pool included the entire shift (including the dozen workers in the packaging room). That is, the shift was paid an amount for its work, and this amount was divided equally among the workers.

The initial calculation of pay rewarded only quantity. The greater the number of carcasses that were dis-assembled each shift the greater the pooled and individual pays. This old-style form of remuneration

established an incentive among workers to speed up the pace of work: to cut as many carcasses as possible or to minimise the amount of time taken to process a given number of carcasses. In this regard, the use of piece work tended to overlay and blur the need for precision in the labour process. Speed and the cutting of chilled meat to the precise specifications made by customers was demonstrated as being irreconcilable.

The high rates of re-work faced by the firm in 1989 and 1990 were, however, to reveal a basic incompatibility between the continued use of an old-style remuneration, of piece work, and the intensified demands on quality and costing in the cutting room. Payment by piece work was based on expectations about making a standardised product and about the regular, unvarying, character of the labour process it rewarded. In the context of the cutting room, piece work fostered re-work. However, the high incidence of re-work was perceived as a dead loss by management and labour, insofar as it reduced the profitability of the firm and the pay of the shift (when re-work was done it was only reimbursed at the minimum hourly rate).

A new form of remuneration was required by both management and labour -essentially to slow down the pace of work and to thereby facilitate the use of skill. The new form of remuneration for the cutting room involved making an hourly rate more central to pay, while retaining the opportunity of the shift to earn a pooled bonus if it exceeded the production target. Payment under the hourly rate (in 1992-1994 at Seafield) earned each worker \$133.33 per shift. The individual share of the pooled bonus for a shift operating at 100% efficiency was \$97.30 per shift. The share of the bonus was directly proportional to the rating of efficiency. A 50% rating resulted in a half payment of the bonus. A 200% rating resulted in a doubled payment of the bonus. Generally the rating of efficiency ranged between 95% and 105%.

The new form of remuneration centred on the integration of a 'degree of difficulty' into the calculation of the composition of further cutting and of the production target. In this regard, the use of a degree of difficulty broke decisively with the tradition of piece work by trying to reward the effort (and supposedly the value) of the work being done, rather than simply how much work was being done.

The stand-packs, noted above, were important to the new deal. A parallel ranking to that rating the production times of stand-packs was developed and called the degree of difficulty. Each category was assigned a degree of difficulty. The degree of difficulty reflected how troublesome it was estimated to be for the workforce to action the stand-packs. Although the correlation between the categories of production times and the degrees of difficulty was not one-to-one it was very strong. Simple stand-packs producing relatively straight-forward final items were assumed to take little effort and were assigned to the lower degrees of difficulty. Arduous stand-packs were assigned to the upper degrees of difficulty. Each degree of difficulty was allocated a number of points. Low degrees of difficulty accrued few points. High degrees of difficulty accrued many points.

**Table 8.3: The degree of difficulty.**

Categories of production times.	Expected # of items /minute.	Points per item.	Benchmark.
1	7.23	7	0.83
2	6.67	9	0.90
3	6.25	11	0.96
4	6.00	12	1.00
5	5.77	13	1.04
6	5.50	14	1.09
7	5.22	15	1.15
8	4.84	16	1.23
9	4.35	18	1.38
10	3.70	20	1.62

The completion of any end -product or item earned the shift the points it was assigned under the degree of difficulty. The shift earned a share of the bonus equivalent to it achieving a share of the number of points that were calculated from the mix of stand-packs allocated to the shift. The calculation of points that was achieved by the shift involved the use of a benchmark figure.

The setting of the benchmark reflected the overall pace of work needed in the cutting room to dis-assemble 3000 carcasses in a shift. It required the dis-assembly of carcasses at about 5.25 a minute across the nine and a half hour shift. In this regard, the use of the benchmark echoed the expectations about tally that predominated on the old-style slaughterboards. Stand-packs with associated degrees of difficulty of more than 5.25 items per minute thereby received a proportional extra loading in the calculation of points achieved by the shift. Stand-packs with associated degrees of difficulty less than 5.25 items per minute received less. The benchmark provided a multiplier that made it more likely for a shift to achieve a higher bonus when it had further cut difficult stand-packs. That is, the completion of stand-packs with a high degree of difficulty resulted in an enhanced assessment of efficiency.

**Table 8.4: Estimating a bonus.**

Stand-pack.			Budgeted .			Benchmark.			Actual
			Points.						Points.
a.	3000	x	9	=	27000	x	0.90	=	24300
c.	1500	x	9	=	13500	x	0.90	=	12150
d.	1500	x	14	=	21000	x	1.09	=	22890
e.	3000	x	9	=	27000	x	0.90	=	24300
g.	800	x	11	=	8800	x	0.96	=	8448
h.	1200	x	11	=	13200	x	0.96	=	12672
			= 110500						= 104760

In the case of a hypothetical shift, where all the 3000 carcasses were dis-assembled (and all the orders filled), the shift received a rating of efficiency of 95% (104760/110500). On this basis the shift received 95% of the bonus. This relatively low rating was skewed by the preponderance of low degrees of difficulty used in the example.

### **The role of team leaders and the supervisors.**

"We have changed specification (stand-packs) ten times in two hours and gone from one cut to something else completely different in 49 carcasses. Stopped, cut another 40 here, cut another 30 there. Which means it is a mass of organisational change... You might go from a very labour intensive cut, from a heavy grade carcass, where you need every one on line. All doing short loins, rumps and frenched racks. Then going to a YL carcass (a light carcass) which might be a split fore loin and a leg. Which means (instead of) the 30 people you need there, suddenly you need only a dozen. So (laughs) it can change quite dramatically from needing a lot of people to needing very few." (interview, Supervisor #3).

The work in the cutting room was inevitably far more complex than in the example. Often twenty or twenty-five orders would be filled or part filled in a shift. On these occasions the allocation of workers to tasks could be changed as often as every half an hour, or more. Organising the room in these conditions required both careful planning and the close monitoring of work. Bottlenecks and backlogs had to be anticipated and prevented. The changeovers to new stand-packs had to be signalled clearly and the appropriate workers moved around the room and put in the appropriate places. The differing skills of workers had to be dovetailed with the constantly changing range of tasks.

The precision and flexibility that was required was well beyond the old-style of supervision. The inspection of work and the techniques of coercion and inter-personal confrontation did not work in the cutting

rooms at Seafield and Silverstream. In part, the two supervisors covering each shift simply did not have the time to stand over a wayward worker. To try and do so meant that other decision-making was ignored. At the same time, the introduction of the degree of difficulty into the calculation of pays secured a commonality of interest between the workforce and their supervisors. This shared desire to maximise efficiency (at least in the terms by which it was calculated for making a bonus) allowed a fundamental re-organisation of supervision.

"We go into the room this morning, the team leader and myself (senior union official), and we audit that room. We audit everything everyone does. You get reasonably astute at being able to see what is wrong, what is not going right, what is costing money. Because it costs us money, as well as costing the company profits... You have got to realise that in the cutting room, if production is down, it stops or there are blow-outs, it costs about \$7,000 a minute.

Q: In lost wages?

A: No. In lost revenue to the company... We devised the data analysis sheet, so we can account for every minute of the 570 minutes in that cutting room each day (shift).

Q: Is this a union initiative?

A: Yes.

Q: Where did this idea come from?

A: We had to get something that would show us what was going on." (interview, Union official #1).

A transfer in formal responsibility was achieved through the introduction of three or four team leaders into each shift in the cutting room. The use of teams to re-engineer the factory is by itself a normal feature associated with flatter management structures. The deployment of teams of workers and of leaders is a contemporary

response by manufacturing firms to the mounting complexities and demands of running assembly-lines. In this regard, the quantification of the labour process and of scheduling made possible by the stand-packs mirrors the study of 'time-and-motion' that commonly foreshadows and underpins the autonomy of the team (Adler, 1993).

Teams working along the line -indeed much of the drive for re-engineering- are arguably evidence of a new variant of Taylorism (Cusumano, 1988, 1989). It is, however, a solution that is allowed only by the interdependence of management and union strategies to which the issue of trust is absolutely central (Brown and Reich, 1989). Fortex was remarkable for the high degree of trust and autonomy achieved by the team leaders. In the cutting rooms the union took over the moment-to-moment running of the cutting room while the supervisors withdrew from their role in the front-line of surveillance and control.

The team leaders were selected by management supposedly on the merits of their past performance, their wide range of cutting skills, their good relations with co-workers and their assumed ability to co-ordinate fellow workers. The selection and authority of the team leaders had a formal independence from the election and influence of the union officials at Seafeld and Silverstream. However, all of the union delegates were appointed as team leaders, and a team leader could not be appointed or hope to function without the blessing of the union. In this regard, the role of the delegate at Fortex showed both continuity and discontinuity with the traditional industry. On the one hand, the ability of delegates to run the room and to ensure throughput was a feature of the industry in Neilson's day (see chapter 6). On the other hand, the delegates at Fortex used their new formalised authority to run with the firm and not against it.



The team leaders continued to work on the conveyor belts. This in itself was a contrast with the old-style industry where typically the most important delegates in a plant had done no processing work. They became responsible for allocating and re-allocating workers to tasks depending on their assessments about the mix of stand-packs being worked on.

"Now for a start there was a percentage of the (workers in the) room, say about 40% of the room, who thought 'Oh stuff it'. They wouldn't help me because they couldn't see where we were going to. I would explain to them the end result of all their (time) savings. What it meant. As soon as we hit it the first night they saw what I was doing... Now they know what I am doing they pool and share it (the information). It makes my job easier. I get the information. I don't ever go into the office or away from my workplace. It is not like, because you are a team leader, you think you can skive and walk around." (interview, Union official #3).<sup>27</sup>

The supervisors of the room liaised with the team leaders and ensured that cutting instructions were followed and that the chilled carcasses, labels and packing materials were all correct and readily available. The supervisors spent a considerable portion of their working day in scheduling the activities of the shift and in determining the precise order in which stand-packs were handled. Supervisors played only a limited and indirect role in imposing disciplines on the workforce.

"The person (union official) we have at the moment is strong in some issues, especially hard on his own people. Discipline wise, very supportive. We are lucky, I would suggest, at the moment. You know that could change tomorrow. I will give you an example... We have these team leader concepts, on Level 3 we had a problem with one guying using the old 'get fucked I am not taking notice of you.' We hauled this guy out. Took him into the smoking room. Away from everyone. (The union official) and I. This guy watched me the whole time and I didn't

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27 This respondent was also a team leader.

open my mouth. (The union official) said 'Did you say that?' He said 'Yes' and the union bloke said 'Don't fucking say it again'. Bang! Quick! This guy is still a member (of the union). This guy was watching me the whole time thinking that I was going to. I still hadn't opened up my mouth. Didn't need to. He was shaken up enough. That sort of support is great. I realise there is a wee bit of intimidation out there, but we had to get control of it, and that is what we did." (interview, Manager #8).

The union, then, directly underpinned the new regime of discipline. Thus, the close working relationship between supervisors and team leaders was facilitated by removing much of the responsibility of disciplining the room from the supervisors. In other words, supervisors at Fortex were equally as marginalised as their counterparts in the old industry. The task of preserving the new, and heightened, disciplines of work fell on the strata of management above the supervisor and was inevitably done in conjunction with the president and secretary of the union at Fortex.

### **Conclusion: Bankruptcy, despite a fusion of interests.**

"Now that they have got the other works down there (Silverstream) they are starting to get into the big league. The marketing gets harder. What do we do with it all? And that is what the problem is. They are finding that out now. They (union officials at Fortex) were telling me that they had, I forget how many thousand of tonnes of forequarters in their freezers in Dunedin. They don't know what to do with it. Can't sell it. They have sold the hind legs and the chops but they can't sell the rest. So that is a another problem they have you see and it all comes about when you get into the big league. Marketing. You have got to get rid of it (the meat)." (interview, Union official #6).

Fortex's corporate strategy was realised by a set of deals made in and around its factories. Hence, a discussion of those deals which incorporated the potentially disparate interests of its marketing

personnel, production managers and the meatworkers' union provided a trace of the innovations made at the firm. The coupling of these deals (Weick, 1976) constituted the 'Fortex Way' and, in turn, represented yet another attempt by a local firm at obtaining a contemporary form of the integrated marketing company. This approach was, in the context of the networks in the industry, highly innovative. The end result of this endeavour by the Fortex Group into processing and export was, however, the bankruptcy of the firm (in 1994).

"Silence fell on the Hampstead rugby field yesterday as Fortex's Seafield workers had their worst fears confirmed. Over a PA, Mr Bart Bullen, a senior partner of KPMG Peat Marwick, the firm handling the receivership, officially made the 900 workers at Ashburton's biggest employer redundant. 'The Seafield and Silverstream plants will not be reopened under the receivers. This is the only decision we can make under the circumstances,' he said." <sup>28</sup>

The previous variants of the integrated firm had relied on forms of wholesaling and the largest of these businesses (most notably the international agribusiness firms and including Waitaki) had been undone by changes in the export markets. Fortex had ventured a new form of the integrated firm, one that relied on a re-engineering of the factory and was thereby made ultra-sensitive to export markets. In other words, Fortex pursued a form of business which strived to integrate the activities of further processing with those of active marketing (Cornish, 1995), but like Waitaki it too failed.

The firm had promised a reworking of the traditional embeddedness of enterprises in the processing sector through the creation of an endeavour with enormous flexibility (Pollert, 1991). In this case, the production of flexibility centred on the running of the cutting rooms

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28 Archibald, J. and N. Topp, 'Pay-cut plea fails as 1800 jobs go', *Christchurch Press*, 28/3/94.

and, what is more important, on their linkage with the requirements of marketing (Hill, 1991; Hill and Chambers, 1990). As a result, issues of scheduling, the quality of work, and its surveillance (by the workforce) dominated the deals that secured the export product. The hub of Fortex's attempt at sustaining an integrated form of production and marketing were the deals that simultaneously facilitated a fusion of the interests of production management and the union, and severely limited the authority of marketing personnel.<sup>29</sup> Thus, the Fortex Group was market-led insofar as it achieved a degree of flexibility in its production which was unsurpassed by any of the firms in the processing sector (Austrin and Curtis, 1992, 1993; Perry, Davidson and Hill, 1995).

The head of the union at Seafield noted and lauded this fusion of interests in the months after the closing of the plant. For him, the tragedy of the failure of Fortex lay in the stymieing of the new forms of work and industrial relations.

"There is a flip side to every coin and for us the bright side would have to be the fairly advanced stage we had got to with the TQM and ISO 9002 philosophy. It would be quite wrong to say that every single person had totally accepted these principles, yes there were some rough edges that needed to be fine-tuned. It is remarkable how many people who have found employment in other meat processing plants, and indeed in other walks of life have discovered that the lessons learned at Seafield have become so much a part of them. It is only now that many realise the significance of the 'culture' of doing it right and being responsible for your own patch. Part of the last minute rescue package was of a scenario of being able to develop that much further. I am fully confident that if we had a chance the Fortex workforce would have shown the meat industry what a totally integrated team-

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29 "I bank with the union. I bank with the union because marketing pay us (the plant). When we come in to talk I end up batting on the union side because it affects my income, through the processing income." (Interview, Manager #9).

work environment could achieve. Lets hope that come the end of July there may be some prospect of bringing that hope to reality. The workforce was the richest asset Fortex had, all of us whether process worker or salaried person should be proud of their achievement- no one can take that away from us." (Binnie, 1994).<sup>30</sup>

Graeme Thompson, the managing director, echoed the statements of the head of the union at Seafield. For him, the demise of his firm, was the result of the short-sighted actions of other players.

"The Meat Industry is a hard unforgiving business and is highly competitive as companies have endeavoured to out manoeuvre each other in a scramble for an increasingly scarce raw material resource. More than 20 companies have met financial demise in the last 15 years as a direct result of pressures inherent in the Industry.

Fortex Group set out to make changes to the way sheepmeat is processed and marketed from New Zealand. We were successful in introducing many new methods which included work practices, and processing and marketing techniques. Our meat products were recognised as being the benchmark for all others to aspire to. There has been no argument put forward at any stage suggesting that Fortex was not on the right track.

We were simply not given the time for Fortex to reach commercial maturity in order that full benefit could be gained from the many initiatives taken." (Thompson, 1994).<sup>31</sup>

There is no doubt that to understand the collapse of Fortex, and with it the demise of a narrative of a firm which seemingly epitomised a new way of doing business, it is necessary to look beyond the factory. An account for the failure of Fortex must incorporate a number of players from outside the firm and, most notably, it must address the perilous state of the networks in the industry and the actions of farmers, of farmers' firms, the banks and the Board in this troubled environment.

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30 'Good Morning', *Hampstead Resource Centre Newsletter*, 7/6/94.

31 Thompson, G. 'Statement of Graeme Thompson, Managing Director of Fortex Group (In Receivership and In Liquidation)', 4/10/94.

After achieving an appreciation of the embedded character of innovation at Fortex, it becomes more possible to assess Binnie's and Thompson's contentions that the firm was done in prematurely by outside interests (see chapters 9 and 10).

## Chapter 9

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### Fortex Group: The firm and farmers.

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#### Introduction.

"Here lies Fortex: choked to death on its own hype.

The bitter little epitaphs have come thick and fast as New Zealand comes to grips with the spectacular failure of its most favoured public company since the 1987 share market crash.

...But as we pick over the carcass it seems most have forgotten one critical fact: Fortex was a meat company. And all around it are the bones of other meat companies -some of them giants- which have gone to the wall in very similar circumstances.

Nobody in the meat industry is infallible and the signs are that Fortex's collapse is just another chapter in the endless restructuring of a high risk sector.

Tomorrow it will be someone else's turn." (Brett, 1994).<sup>1</sup>

Narratives of success are vulnerable to questions of scandal and this was to be the fate of Graeme Thompson. On 9 March 1996 he was sentenced to six and a half years imprisonment for fraud. The local press reported the outcome of his trial in the following way:

"Graeme Thompson, the Fortex managing director who Justice Holland said wanted to be the Mr Big of the meat-processing industry, at any cost, was jailed yesterday for 6 1/2 years for fraud. He found that Fortex had insufficient capital to justify the building of the Silverstream processing plant at Dunedin... I do not believe that financiers would have been prepared to finance the expansion if figures had shown the company was making a loss instead of profit." <sup>2</sup>

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1 Brett, C., 'Silence of the lambs', *North and South*, July 1994.

2 'Fortex chief jailed for 6 1/2 years', *Christchurch Press*, 9/3/96.

The transformation of Thompson from an honoured holder of an OBE, and representative of all that was innovative about New Zealand, to a disgraced 'Mr Big' involved in conspiracy to defraud was to lead to his disappearance from public life.

The Fortex Group, his company, had proved to be unsuccessful in its bid to establish itself as an agribusiness firm. Fortex, just like many of the firms that preceded it into the export meat industry, accrued enormous losses before being closed, then liquidated and its plants sold to other players. Thus, what appeared as the beginnings of a new way of doing business for the export meat industry, based on 'added value processing' (Hartley, 1989), ended in the dissolution of the Fortex Group in circumstances that looked much like the failure of Borthwicks (1986), Waitaki International (1990) and Vestey's (1994).

The case studies of the Fortex Group and the Waitaki company have similarities. Both case studies detail attempts at innovation by local firms that resulted in the complete failure of the instigating firm, rather than its intended reworking of the networks in the industry. Further, both studies illustrate how proposals of new forms of business and deals to rework existing business networks, were perceived as threats by other players in the industry in terms of their authority, power and embeddedness (Hirsch, Michael and Friedmann, 1990). In the case of Waitaki the threat was perceived by farmers and acted on by the Board. In the case of Fortex the threat was to other firms in the South Island.<sup>3</sup> These other firms were described by one manager at Fortex as 'opposition with cheque books' (interview, Manager #8). Their means of action involved pricing wars against Fortex over the price of stock. In

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3 "By limiting stock available to the larger companies during off-peak times, small operators (sic) restrict the efficiency of large plants. They also increase prices at farm-gate auctions by bidding up the cost of stock, often to the point where its so high companies are forced to sell for less than their cost of production." (Steward, 1994: 40).



these 'wars' the farmers supported the traditional buying arrangements of Fortex's competitors rather than the innovations desired by the new firm.

Fortex ceased its operations amidst a flurry of doubt on the part of farmer-suppliers and financiers concerning its ability to repay its outstanding debts. Widespread worry about the firm was first evidenced by a slide in its share prices,<sup>4</sup> and was confirmed by an announcement in mid-March 1994 that the firm would report losses in excess of \$40 million on its operations for the half-year ending 28 April, 1994.<sup>5</sup> Within little more than a week of its acknowledgment of problems in securing continued supplies of finance from a consortium of banks and of livestock from farmers, the firm was passed into the hands of a receiver who closed its plants and laid off their combined workforces.<sup>6</sup> By the end of the year (1994) all of the assets of the Fortex Group had been sold. Silverstream was sold to the Primary Producers Co-operative Society (PPCS) and Seafield to Canterbury Meat Packers (CMP). The plants were disposed of for only around 10% of their book value. This swift liquidation of the firm resulted in a loss of \$6 million to its first charge debenture holders, and a massive deficiency of \$72 million to its second charge debenture holders, unsecured debenture holders, and unsecured creditors (mainly farmers who remained unpaid for their stock). Significantly the banks secured over 75% of their original investment.<sup>7</sup>

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4 'Fortex shares near half book value' *Christchurch Press*, 22/2/94;

5 'Fortex battles dollar, kill levels', *Christchurch Press*, 12/3/94; 'Fortex in crisis: \$40-\$50m loss expected', *Christchurch Press*, 12/3/94; 'Farmers seek assurance from struggling Fortex', *Christchurch Press*, 15/3/94; 'Fortex-bank talks on stock payments' *Christchurch Press*, 16/3/94.

6 'Receivership a dampener', *Christchurch Press*, 24/3/94; 'Fortex's 1800 staff on knife-edge', *Christchurch Press*, 24/3/94; 'Fortex tells of rescue plan', *Christchurch Press*, 25/3/94; 'Pay-out day for Fortex hundreds', *Christchurch Press*, 25/3/94.

7 'Fortex Group Ltd (In Receivership): Summary of Position', The Receiver, 4/10/94.

Further, in addition to legal action being brought against Graeme Thompson, the firm's marketing manager and company secretary were also charged. The charges brought by the Serious Fraud Office of the New Zealand Police Department centred on the misrepresentation of the viability of the firm in its Annual Reports. The managers were charged with borrowing substantial amounts from overseas banks (in excess of \$20 million), hiding these debts from financiers in New Zealand and entering these sums in the accounts of the firm as revenues rather than as liabilities. While the collapse of the firm was probably made unavoidable once interests apart from senior management opened its books and discovered this malfeasance, the problems which stimulated this scrutiny lay outside the practices of accounting.<sup>8</sup> Rather than cause the bankruptcy of Fortex, these illegal transactions and manipulation of the Annual Reports fed the narrative of company success and arguably staved off a public recognition of problems that confronted the firm. To some extent the arrested members of senior management became the scapegoats for a firm that, for approximately the last four years of its existence, was making very significant losses on its operations.<sup>9</sup> However, for the most of the staff, meatworkers and especially the union officials who were laid-off from Fortex such a rationale for the actions of senior management was decidedly unconvincing.

"Whatever the decision of the Courts, whatever the eventual fate of Thompson and Mullen it will not compensate for the dis-illusion that all must feel. The deceit and betrayal if proven we will carry for the rest of our days." (Binnie, 1994).<sup>10</sup>

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8 Williams, A., 'Graeme Thompson and the downfall of Fortex', *Christchurch Press*, 9/3/96.

9 "The former secretary of the failed Fortex meat processing group has been jailed for four years. Michael John Mullen, 44, pleaded guilty last week in the Christchurch High Court to seven charges- three of publishing false statements, two of forgery, and two of false accounting.", 'Four years jail for Fortex secretary', *Christchurch Star*, 10/2/96.

10 'Good Morning', *Hampstead Resource Centre Newsletter*, 7/6/94.

Nevertheless, the contention by some commentators that the Fortex Group was little more than an extended swindle or some form of ego gratification on the part of Thompson and other managers is excessively harsh.<sup>11</sup> While the possibilities and benefits of good public relations (PR) were rarely overlooked by the firm, there was more to the firm than merely its 'hype' (Austrin, 1991). Indeed, the firm's manipulation of the media, and by it the instilling of confidence among its potential and existing shareholders and suppliers, was a necessary prerequisite of Fortex ever becoming the world's butchers shop.

The key rhetoric among the managers (and the union) at Fortex was that of being 'lean and mean' (interview, Manager #1; interview Manager #11; also see Ufkes, 1995). The issues that management at Fortex identified as central to them were achieving flexibility in processing and to be thoroughly market-led and, what is most important, to make a profit. Thus, what has greater purchase in any post-mortem on Fortex is an argument about the margins in which nowadays an integrated marketing company must operate, and especially (and perhaps somewhat counter-intuitively), the issue of supply of stock.

Accounting for the failure of the Fortex Group can only be grounded in an appreciation of the complexities of buying stock locally and selling meat in a global market place. A recognition of the complexities must encompass, firstly, the mix of players who constituted the industry and, secondly, the recurring and accumulating problems they confronted. In this regard, the key to grasping the demise of Fortex lies in understanding the responses it evoked from farmers, its competitors;

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11 Brett, C., 'Silence of the lambs', *North and South*, July 1994; Hutching, C., 'Shaking the system', *New Zealand Business*, October, 1990; Stewart, K., 'Freemarket follies', *NZ Listener*, 25/6/94; and also Stewart, (1994).

the co-operatives, the Meat Producers' Board and the consortium of banks that are the industry's financiers. These responses ranged from cool, to opportunistic, to hostile. They were expressed against the backdrop of mounting indebtedness on the part of all agribusiness firms and continued autonomy (in the form of a freedom to sell stock to a range of buyers) on the part of farmers. In short, the innovations trialed by Fortex called forth a number of responses from other players in the industry, and simultaneously made it vulnerable to a combination of collusion (by the co-operatives and, arguably, the banks) and independence (by farmers), which effectively doomed the firm.

I have argued that the management at Fortex was able to foster new techniques of work and supervision that owed much to the ideals of flexible production and TQM (Austrin, 1991). Their attempt at a re-engineering of the factory involved the imposition of fresh disciplines in work, and the ability of managers to engage in new forms of surveillance and, in particular, the readiness of the union to ally its interests with production managers (Sewell and Wilkinson, 1992). However, the passing of the Employment Contracts Act (1991), which eliminated the industrial relations regime of Awards and 'top ups' in favour of fixed term employment contracts, had made it far easier for Fortex's competitors to negotiate, and in some cases to impose, new pay and conditions and even, in the case of some of the small operations in the North Island, to exclude the meatworkers' unions (Harbridge, 1993; Harbridge and Moulder, 1992). Thus, the Primary Producers Co-operative Society had secured, in the employment contracts for 1991-1993, an effective cut in wages in the order of 10% across all of its plants in the South Island (interview, Union official #5).<sup>12</sup>

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<sup>12</sup> The respondent was a senior worksite official. He was also a farmer and produced beef cattle which he subsequently sold to his employer (processing firm). Some years prior to our discussion he had secured an advance on a redundancy package which he then used to substantially improve his farm.

By taking advantage of the new legislation and a deteriorating labour market to force new deals on their workforces (Underhill and Kelly, 1993) these firms adopted a very different approach to that taken at Fortex. At Fortex the focus remained on re-engineering work with the consent of the union. The senior union official at Seafield put the position of the workforce and the firm in the following terms:

“...if you don’t perform there is someone else out there who will. Fortex led the way in quality. They led the way in niche marketing. The others are catching up a little. We have got to sprint again now and get back out in front.”  
(Interview, Union official #1).

If the firm was squeezed by the new deals with the meatworkers’ union branches by its competitors, it was also squeezed by its suppliers, the farmers. The bulk of farmer-suppliers, unlike the meatworkers the firm employed, proved unwilling to submit to the demands of TQM and added value processing, insofar as Fortex envisaged them. Consequently, neither formal contracts, nor the Fortex Formula, nor the use of barcoding succeeded in securing for Fortex the supply of classes of stock it most preferred. While there was a gradual increase in the numbers of heavy and lean lamb produced in the South Island and spread in the months in which stock was obtainable, these developments actually benefited Fortex very little. In particular, Fortex was unable to develop any deals with farmers that gave it exclusive, or even preferential, access to their stock. In other words, the firm’s share of the total numbers of stock made available for slaughter remained largely a function of the price it was willing to pay at the farm-gate, and this price was made in competition with the newly enlarged co-operatives.

### **Dilemmas in securing the supply of a value adding processor.**

With the introduction of shift work in its plant at Seafield (1988) and its extension by the construction of a new plant at Silverstream (1990) the

Fortex Group became a major buyer of stock in the South Island. At the same time, the procurement arm of the firm and its production managers conceived of a far closer relationship between Fortex and its suppliers than did other firms in the industry. Whereas a manager of an old-style plant might dismiss an interest in the intricacies of buying stock and assert that "I only kill them" (interview, Manager #12), the management at Fortex could not.

Further, the more successful the firm was in approximating an ideal of 'bespoke manufacture' (Piore and Sabel, 1984), the more precise it needed to be in buying the type of stock that was best suited for further processing and needed to fill the customer's specifications (Rainnie, 1991). That is, the requirements of added-value processing, of maximising returns from the disassembly of carcasses, also shaped the procurement activities of the firm. The firm favoured lamb (and some classes of sheep but only if there was insufficient lamb) and, in particular, beasts with heavy and comparatively lean conformations.

"Fortex processes only lambs (sic)... We favour heavy lambs, up to four grades of weight over the Meat Board's schedule. This is because heavy lambs are the most cost effective for further processing. The Meat Board and companies have traditionally favoured light weight lambs." (Interview, Manager #1).

A new conception of supply reflected the imperatives for precision and quality in further processing and the existence of constraints on cutting which resulted in specific orders needing the disassembly of specific types of, larger and leaner than normal, stock. What is most important, the management at Fortex wished to abandon any reliance on the essentially transitory deals made at the farm-gate. Instead of recourse to the farmers' preferred options of the schedule, or auctions, their preferred sourcing strategy was through the individual contracting for supply (de Janvry and LeVeen, 1986). However, when, because of reluctance from farmers, the deployment of contracts failed to secure

supply, the firm was forced to adopt other more costly and ultimately ineffective alternatives. These, more commonplace, mechanisms for securing supply were both relatively undifferentiated and ultimately exposed the firm to a ruinous price war. In addition, because of its emphasis on the most select stock and requirements for supplies that stretched well beyond the months of the normal killing season still used by other firms, Fortex was decidedly disadvantaged.

Thus, in its buying of stock (like its other activities) Fortex stood outside the traditional practices of the industry. This difference was, in part, the consequence of its requirement for larger and leaner than normal stock and also due to the deals made with the union. The latter were important for the use of shift work at Fortex (and used only at Fortex) had impacted the procurement activities of the firm. Shift work had allowed the firm to greatly multiply the capacity of its factories, but its introduction at Fortex was secured only with guarantees to the workforce concerning minimum weeks of employment. As noted (see chapter 8), the first and second shifts at Seafeld and Silverstream were guaranteed all year employment. The third shifts were guaranteed 33 weeks (of three eleven hour working days) of work a year. The fourth shifts were guaranteed 20 weeks of continuous employment. There was no equivalent to these guarantees elsewhere in the industry.

Meat processors have traditionally scaled-down their operations in the winter months and frequently shut for several weeks or months in response to the seasonality of farming and the ebb and flow of stock. Hence, Evans (1985) estimated the length of the killing season in the mid- 1980s at around only 160 (six and a half hour) working days. Fortex also observed the traditional pattern of use of processing capacity but, because of the guarantee to its workforce of continuous employment, did so in a modified form. The firm sought after, more-or-less, year round supplies of stock. Thus, when all four levels were operating at Seafeld and Silverstream the firm required more than

70,000 beasts each week to keep its two plants fully utilised. This level of manning occurred at the peak of the killing season, when stock was fairly plentiful, and meant that Fortex then aimed at approximately a 10% share of the kill in the South Island. Moreover, when only the most senior shifts were operating the firm still required in excess of 30,000 beasts each week. This level of manning occurred at the depths of the killing season (called 'the slack') when stock were scarce, and meant that during the months of autumn Fortex aimed at a considerably greater share than its competitors of the kill in the South Island.

The most senior workers at Fortex were entitled to three weeks paid leave each year to be taken at the discretion of the firm (interview, Union official #2). By scheduling the holiday break for all its staff in the middle of winter, the firm was able to opt out of procuring stock during the time of their greatest scarcity. Nevertheless, by making guarantees of continuous employment to its workforce Fortex established an extra incentive for it to extend as much as possible the length of the killing season and the procurement of stock.

The desire of the Fortex Group to kill stock all year round also made it particularly vulnerable to the big players. As the general manager of a plant owned by PPCS elucidated early on in this contest:

CFM (PPCS) kills most of its stock during the peak times and the balance during off peak times. Fortex kills about half of its stock during the peak times and half during the off peak times. CFM can put pressure on Fortex by bidding up the cost of livestock during the off-peak times. This is only a marginal cost to CFM but it is significant to Fortex... CFM would prefer companies like Fortex not to be in the industry. But, if they are going to enter the industry they will have to pay the going rate for stock and CFM's schedule is way out ahead at the moment." (interview, Manager #12).



At the same time, the production of heavy and lean lamb desired by Fortex is probably the most challenging aspect of animal husbandry and farm management as practiced on sheep and mixed farms in New Zealand (Sheppard, 1982). The use of farmland and the sheep flock to grow heavy and lean lamb involves: (1) a precise regime for the breeding, lambing, weaning and pasturing of stock, and (2) a reduction to the normal levels of stocking, in order to facilitate the longer than usual period needed for the lamb to attain targets for weight and fat cover, and (3) favourable weather conditions and good growths of pasture continuously throughout the life of the flock. In addition the farming of heavy and lean lamb requires a greater than usual commitment for each beast of the farmer's skill, farmlands, feed, and time (Hatch, 1992). If such a utilisation of resources, or the imponderables of weather and natural disaster, cause the farmer's plans to go awry (Mann and Dickinson, 1978) then the result is a reduction in the revenues well below those enjoyed from an adherence to more traditional forms of farming (Alexander, 1990).

The farming of heavy and lean lamb and classes of sheep therefore entails an exposure by the farmer to additional risks. Farmers are renowned risk-avoiders (McLauchlan, 1981; Shanin, 1973) and this was expressed, in part, by an aversion to growing heavy and lean lamb. Fortex therefore found itself wanting to buy precisely the classes of stock which farmers were reluctant to produce in any great numbers. Thus, Fortex was regularly confronted by inadequate numbers of heavy and lean lambs being offered for slaughter in the farming districts that its procurement arm encompassed.

The problem for Fortex was, then, that it endeavoured to procure what constituted a significant share of the total numbers of stock made available for slaughter each year and, at the same time, to obtain a disproportionate share of this throughput at a time when their seasonal production was at an ebb. Further, Fortex wanted to buy classes of

stock that were usually available in limited numbers. The dynamics of added value processing, at least its performance on a large scale, had therefore combined with deals made in the factory, engendering a year round operation, and with the recurring shortages among the classes of stock best suited to further processing, to effectively shackle the buying operations at Fortex. It was, I suggest, this crisis of the firm, caught between the farmers on one side and the union on the other, that promoted the use of dubious accounting practices by Thompson.

The crisis of stock supply faced by the firm revived and redoubled the pertinence of claims that "there is no single factor more important to the processor than throughput" (New Zealand Freezing Companies Association, 1980: 28). In this case, the drive for throughput was coupled with price wars provoked by other players in the industry. In order to secure throughput the new firm broached new ideas of contracts with farmers stressing aspects of longevity, stability and even trust (interview, Manager #1). What the firm sought was a new relation with farmer-suppliers. This new relation was a form of buying associated with dedicated sourcing and with archetypes of manufacturing and assembly networks in Japan (Ramsay and Wilson, 1990). In this regard, the building in of forms of permanence and reciprocity (beyond the monetary) in the exchanges between the firm and its farmer-suppliers, or more precisely of the benefits from such long-term relationships that may accrue the buyer, constituted no small part in the agenda of Thompson and Fortex (Ouichi, 1991).

Fortex was driven to be very selective not only in the type of stock it procured but in the type of deals it used to procure them. Several facets and motivations were discernible in the firm's sourcing strategy. Fortex wished to secure a body of dedicated and long-term suppliers. This group of farmers was intended to be capable of producing the bulk of the firm's requirements for stock, and especially so during the off-peak months. Consequently they would dedicate a proportion of

their resources to the production of the classes of stock most wanted by Fortex. It was intended that this group of farmers would deal mainly or even exclusively with Fortex (interview, Manager #1).

Sanderson (1986) has noted how farmers may become enmeshed in contracting and in the supply of food processors to their detriment. Indeed, the dedication of resources by family farmers in order to source processors is presented in the literature as an important manifestation of the subordination of farmers to agribusiness firms (Commins, 1990; de Janvry and Le Veen, 1986; Redclift, 1984, 1986). However, as I have stressed, family farming in New Zealand not only enjoys the benefits of a range of prospective buyers but has been predicated upon the existence of such a range. One critic of this 'institutionalisation' of deals that effect an excess of demand over supply (for stock) has maintained:

"(The) situation is exacerbated by the much vaunted free market that exists at the farm-gate, where farmers are selling their stock to the highest bidder, irrespective of their interest in a processing company." (Stewart, 1994: 38)

While a union official at one of the processing plants owned by the Primary Producers Co-operative Society and in competition with Fortex noted:

"The dollar counts. If the farmer has got a mortgage or something and you walk in his gate and say, I will give you an extra \$1.50 a head, no more loyalties!" (interview, Union official #6).

While the efforts of Fortex around supply sought to transcend the problems which intense competition for stock and the shifting loyalties of suppliers placed on agribusiness firms, and in doing so undoubtedly foreshadowed a reworking of these deals, the firm envisioned, at least in the first instance, a nurturing of its 'preferred suppliers' (interview, Manager #7).

The management at Fortex wished to extend the numbers of heavy and lean lamb produced each year and to spread the production of the favoured classes of stock more evenly across the year. In order to do so, the firm intended the implementation of contracts with several hundreds of farmers to set precisely the numbers, the scheduling and the characteristics of stock (including their age and configuration) wanted by the firm (interview, Manager #1). This attention to detail was to be linked with the payment of bonuses to its preferred suppliers. That is, the farmers who were preferred suppliers would get benefits from the higher returns of added-value processing and niche marketing (Piore and Sabel, 1984).

The firm's efforts at stock procurement attempted, as much as possible, to by-pass the deals made at the farm-gate by which the bulk of stock were bought and sold by other firms. The management at Fortex wished, in particular, to circumvent any reliance on the schedule, which was administered by the Meat Producers' Board. While the schedule established the benchmark for the industry in the procurement and dispersal of stock (Shadbolt, 1981), and was used throughout the industry, it represented a very crude device for buying the classes of stock best suited for further processing. The schedule reflected the buying interests of large firms, the incumbent firms, who remained essentially 'carcass handlers' (Hartley, 1989).<sup>13</sup> As a result, the classification of stock that were most favoured by the Fortex Group was not included in this arrangement.

Thus, Fortex entered into the competition for stock in the South Island with the intention of using contracts that were binding on farmers and stipulated the required classes, scheduling and prices paid for stock (Little and Watts, 1994). A first round of contracts was offered for the

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13 Brett, C., 'Silence of the lambs', *North and South*, July 1994.

supply of lamb in the winter and early spring of 1990.<sup>14</sup> The response from farmers was exceedingly disappointing for the firm. The firm was completely unable to fill its books by using contracts. While Fortex trumpeted the mutually advantageous aspects of its contracts, the vast majority of farmers remained wary and preferred to rely on the deals made at the farm-gate. The majority of farmers who supplied Fortex preferred to use the more familiar versions of deals made 'on the hoof' (Hartley, 1989; New Zealand Freezing Companies Association, 1980). In this regard, the management at Fortex was unable to ever convince more than a fraction of the farmers that the use of such contracts truly constituted a fusion of interests, or even that such an interpenetration of interests would benefit its suppliers (interview, Manager #7). As a result, Thompson's vision of bridging the gulf between farm production and processing and of effectively bringing farmer-suppliers into the running of the factories at Fortex was thwarted.

The reasons for this are both general and specific. They are general insofar as they involve recognition that such contracts could subordinate producers. As a farmer and member of the Board noted:

"If you take the way Marks and Spencers operate in the UK. You get locked into their system and then they screw you. But I mean, we had that for ten thousand years as peasants, so we are reasonably cunning. We work our way out of that, but yes, there is a danger of that" (interview, Director #3).

They were specific insofar as farmers in New Zealand had exercised their control in the export meat industry by avoiding precisely such arrangements.

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14 'Spring lamb contract from Fortex Group', *Christchurch Press*, 19/10/90.

The immediate response on the part of Fortex to the reluctance of farmers to enter into contracts with it, was to relax its stipulations. Thereafter farmers were given the right to receive whatever the prices were that prevailed under the schedule on the day a contract was due to be honoured. Although the contracts entered into by Fortex with its suppliers continued to stipulate a price for stock, this amount had effect only if it exceeded the price paid under schedule. The rearrangement and relaxation of contracts meant that while Fortex was able to use them to guarantee throughput in advance of its needs, it could not determine the price of the stock.

Despite this loosening in its contracts, which eliminated the risks of incurring opportunity costs from the considerations of farmers, the growth of a body of contracted or preferred suppliers nevertheless remained negligible. The firm was forced, like its competitors, to employ several dozen stock drafters and it continued to rely on buying under the schedule for a number of seasons. In other words, Fortex was compelled to compete for stock, like all processing firms, by using the long established deals favoured by farmers. From the farmers point of view the success story of Fortex simply meant that it was 'business as usual'. They continued to bargain over prices in a market operating in their favour.

Arguably then the success story was one applied to the firm-union relations and not the firm-farmers relations. It was for what happened in the factory that Thompson received his OBE and throughout the period of the firm's existence the on-site union was to be its strongest ally.

### **The Fortex formula and the role of the union.**

Notwithstanding the setback in its effort at contracting for supply Thompson and the management at Fortex continued to strive for what they felt were more appropriate deals with farmers. The firm's

campaign to rework and to secure supply culminated in it formally abandoning the schedule administered by the Board at the start of the 1992-1993 killing season, in favour of its own version of the schedule that was better tailored to the needs of the firm. This initiative was called the 'Fortex Formula'.<sup>15</sup> The Fortex Formula, or sometimes called the 'Fortex Schedule Plus', was described by the company as a 'yield grading scheme' which incorporated regular payments and the disbursement of bonuses to its suppliers.

"Fortex Schedule Plus is a revolutionary approach to rewarding farmers for marketplace achievements, without the need for the outdated pooling concept.

Fortex Schedule Plus means that full schedule is paid on the Fortex Yield Grading scheme 14 days after kill. Within two or three months (see below) an announcement will be made on a market-related bonus.

<u>Supply Period</u>	<u>Bonus Announced</u>	<u>Bonus Paid</u>
October, November	December	January
December, January	February	March
February, March, April	May	June
May, June	July	August
July, August, September	October	November

Fortex Schedule Plus means the farmer supplier wins four ways:

- \* 100% full schedule payment.
- \* full yield grading and supporting information.
- \* no on-farm negotiation hassles.
- \* prospect of bonus payment within two or three months.

The Alternative: Per Head Sales. Fortex remains willing to purchase on-farm per head. Per-head sales:

- \* may only be negotiated with a Fortex livestock coordinator.
- \* will receive the Fortex Arrival Report only.
- \* will not qualify for the Fortex Schedule Plus scheme."<sup>16</sup>

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15 'Yield grading of lambs at Fortex plants next season', *Christchurch Press*, 18/10/91.

16 Fortex Group Limited, (1992), Fortex Formula Information Booklet, Fortex Group Limited, Seafield.

The Fortex Formula was, in the first instance, a fine-tuning of the type of deals made through the schedule which it sought to replace. The schedule administered by the Board had usually delineated only about twenty-five classes of stock. This classification was made in terms of the weight of the carcass (from 7 kg to 21.5 kg) and, for some of the heavier weights, in terms of three grades of fat cover. A price per beast was quoted in each farming district by each firm and for each class. The Fortex Formula expressed a far greater delineation in its classification of stock. It used the industrial standards for fat cover and weight as the x-axis and the y-axis, respectively, to create a grid with some 150 classes of stock. The firm then indicated from this multitude of classes which types of stock, shown as clusters of classes on the grid space, it was interested in buying and established price differentials between the more and the less preferred classes.

The old-style deals made at the farm-gate had entailed very little in the way of flows of information between processor and suppliers. In the case of deals made on the hook, farmers received, as part of the documentation of payment, a brief classification of their flock, that is, how many beasts belonged to each class of stock (PM, YM, YX, etc.). In the case of deals made on the hoof, farmers received no feedback at all about the characteristics of their stock as the price for the animals was negotiated before slaughter. In contrast, the Fortex Formula offered farmers considerable information about any stock (called lines) they sold to the firm. For each line of stock a 'Fortex Scattergram' was generated that plotted the characteristics of the relevant mob of sheep across the grid space of possible classifications. This information was intended to help farmers to improve their returns in the future by ascertaining how accurate they were in supplying the classes of stock most preferred by Fortex (interview, Manager #8).

Theoretically the Fortex Formula was possible to operationalise because of the barcoding of all carcasses and pelts processed at



Seafield and Silverstream. Tyson (1990) illustrates how the techniques of barcoding might identify the host of activities that constitute a labour process and therefore to illuminate its cost drivers. The benefits from barcoding for a firm, adjudged by Tyson, centre on the tracing of work and its association with labour costs. The introduction of barcoding in the factories owned by Fortex facilitated the tracing of stock through the stages of its disassembly. Barcoding allowed the firm to trace the movement of carcasses and pelts through its plants, to assign ownership of these materials to individual farmers, and to offer payment based on assessments about the quality of these materials. Thus, barcoding allowed the firm to calculate the suitability of stock for further processing in terms of its yield (available meat and quality of the pelt).

At the same time, as the Fortex Formula promised to pay farmers what their stock was worth in full and within two weeks of slaughter, it also offered payments of bonuses to farmers which purported to reflect the contribution of suppliers to the profits enjoyed by the firm from further processing and niche marketing. In doing so, the firm tried to extend the time span of its deals with suppliers and to foster a commonality of interest. Further, for all the period that the firm experimented with contracts and then with the Fortex Formula it attempted to engage its suppliers in the practicalities of processing. The company did so in the hope of obtaining a level of commitment from farmers in the care and presentation of stock that, simply, could not be secured through formal deals.

The premium set by the firm (and supposedly by its customers) on precision and on quality meant that Fortex was moved to forever detail its contracts with suppliers and to control for the minutiae of imperfections and deficiencies in stock that could not be eliminated or penalised by formal contracts. The dictates of maintaining throughput for its plants were from the outset mediated by the desire to interest farmers in the immediate (practical) concerns of further processing.

However, even with the new forms of surveillance made possible by barcoding and its expression in the Fortex Formula, suppliers could sell stock that was problematic for the firm. For example, the improper washing and over-feeding of animals prior to slaughter were just two of many practices by farmers that could not always be detected by the firm and nevertheless tended to increase the ever important 'bacto count' in the cutting rooms. What the new Fortex practices meant, then, was that the practice of animal husbandry in a shoddy manner by a farmer-supplier, previously not a problem in the industry, could now affect the activities of processing and consequently reduce the shelf-life of the chilled product.

The firm's attempt at integrating farmers with processing constituted a first for the industry and was thoroughly integrated with the public relations (PR) effort which characterised the firm. The most startling aspect of this effort was found in the role of the union. Officials of the meatworkers' union at Fortex and some of the team leaders played a very visible part in the attempts to inform and to engage farmer-suppliers. Members of the union at the plants accompanied senior members of the management team on its corporate 'Road Show' where the Fortex Formula was trumpeted as a way forward for the industry. The secretary of the sub-branch (plant) notes:

"We have been away. They took me away on the Road Show with them. To Nelson, right down to Oamaru. Did two of them. One group we spoke to, bankers, solicitors, (Ministry of Agriculture and Fisheries) Department advisers, stock firms, that sort of thing. That was quite a swept up straight out address format. Graeme Thompson (managing director), Stuart Macintosh (general manager, processing), Ian Graham (general manager, Seafield) and myself addressed them. So we did a series of meetings, then we went back and did the Road Show proper I guess where we took all the displays around and visited all the farming centres. So I went on that with them." (interview, Union official #1).

### The response by farmers and the farmers' co-operatives.

"Perhaps if Fortex had been satisfied with niche market and a smaller slice of the industry it would have coped - and been tolerated by the big players." (Brett, 1994).<sup>17</sup>

The Meat Producers' Board made it very clear to Fortex that it wished the company to remain relatively small and to not intensify competition for stock in the South Island (see chapter 5 and 7). The Board was highly critical of Fortex when the firm announced its plans to build a second plant at Silverstream, and Freesia Meats thereafter sold all of its shares in the firm.<sup>18</sup>

The move by Fortex to slaughter lamb at Seafield (1985), and the quadruple expansion of its processing capacity by the introduction of shift work at Seafield (1988), followed by the construction of Silverstream (1990) meant that the firm forever left behind any chance of an accommodation in the industry with the incumbent firms based on its smallness and its exclusive focus on niche markets (Hartley, 1989). By greatly expanding its capacity to process venison and to further process lamb, Fortex became committed to a strategy that would bring it into direct competition with the established agribusiness firms as well as the plans of the Meat Producers' Board to secure the farmers' co-operatives.

Regardless of several efforts at dedicating the resources of its suppliers to suit its own ends, Fortex was forced to compete for the farmers' stock with two very large co-operative enterprises, Alliance Freezing (Alliance) and the Primary Producers' Co-operative Society (PPCS). These farmers' firms had both functioned as co-operative marketing

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17 Brett, C., 'Silence of the lambs', *North and South*, July 1994.

18 Brett, C., 'Silence of the lambs', *North and South*, July 1994; 'Freesia sells Fortex stake', *Christchurch Press*, 16/12/89 'Second plant for Fortex', *Christchurch Press*, 27/1/89; Weir, J., 'Fortex makes splash with evolutionary breakthrough', *The Dominion Sunday Times*, 3/6/90.

ventures, by taking advantage of the 'open door' to processing, in the years following the end of the Bulk Purchase Agreement (1940-1954). However, the costs and uncertainties that ensue from large-scale leasing of processing capacity across a multitude of freezing works, encouraged the co-operatives to own their own plants (Lind, 1985). Alliance moved into processing first, in 1960, when it constructed the largest plant in the country at Lorneville (with six killing chains). In the early 1980s it purchased the plant at Ocean Beach (Turner, 1984) from the Co-operative Wholesale Society (UK). PPCS moved into processing, in 1980, when (in partnership with Fletchers) it purchased the shares of Southland Frozen Meats (SFM).<sup>19</sup> Later that year it purchased Borthwicks remaining holdings (of 23%) in Canterbury Frozen Meat (CFM).<sup>20</sup> In the next four years PPCS sold off its holdings in SFM and consolidated its ownership of CFM (Lind, 1985).<sup>21</sup>

The involvement of the Board, through Freesia Meats, in a rationalisation of the industry led Alliance and PPCS to become the largest firms to operate in the South Island (see chapters 5 and 7). In 1988 the plants at Finegand and Marlborough, then owned by Waitaki International, were sold to PPCS. In the subsequent break-up of the Waitaki company a few years later, it was Alliance that became the biggest beneficiary of the liquidation when it purchased all of the failed firm's plants in the South Island (see appendices 1 and 2). By the time Fortex had got its plants at Seafield and Silverstream fully operational (in 1990), the Alliance owned 9 plants (Nelson, Kaiapoi, Sockburn, Smithfield, Pukeuri, Matura, Makerewa, Lorneville, Ocean

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19 'PPCS revealed as SFM buyer', *Christchurch Star*, 7/5/80; 'SFM consent extended', *Christchurch Press*, 25/8/84.

20 'Borthwicks sells CFM holding', *Christchurch Press*, 13/9/80; 'CFM holds talks with Borthwicks', *Christchurch Star*, 20/8/80.

21 Bennet, F., 'Horns of a dilemma', *Christchurch Star*, 23/8/80; 'Board favours CFM', *Christchurch Press*, 23/8/80, 'Waitaki's biggest coup coming up', *Christchurch Star*, nd; 'Apex trebles result', *Christchurch Press*, 23/5/80; Fyfe, D., 'Farmers approve sale of works', *Christchurch Press*, 24/5/86, 'Farmers' view' *Christchurch Press*, 13/6/80.

Beach) and PPCS owned 5 plants (Marlborough, Belfast, Canterbury, Fairton, Pareora, Finegand). All of these plants, except Belfast, slaughtered lamb and sheep and therefore sought after stock and operated in competition with the new entrant (Hartley, 1989). Management at these firms were not taken in by the hype about Fortex:

"Fortex is a little guy and little guys can always exist where there are big guys. Fortex has been able to fill a niche because of its smallness. The building of (the plant at) Silverstream will make things more difficult for them." (interview, Manager #12).

Several factors counted against Fortex in its showdown with the co-operatives. The advantage in size enjoyed by Alliance and PPCS was of significance, but of far more importance to the eventual resolution of this competition was: (1) the differential impact of escalating prices for stock on the co-operatives in comparison to Fortex, and (2) the pursuit by Fortex of a year round operation at Seafield and Silverstream. Together these factors allowed the co-operatives an advantage over Fortex. They permitted the co-operatives to weather what became a pricing 'war' for stock while the Fortex Group foundered and failed.

Growth in the scale and scope of operation of these two co-operative firms had made necessary for them the development of strategies which transcended the very short-term horizons of the earlier variants of farmers' firms. These farmers' firms had, therefore, come to resemble, in the ways they entered into business, their more integrated proprietary competitors (Chandler, 1978). That is, with the consolidation of the co-operative firms there was some reworking of what their 'service' orientation entailed (interview, Director #1). However, the fusion of supply and shareholding ensured that the foundation of any co-operative enterprise was to maximise the returns to farmers.

Farmers obtained two forms of payment from their co-operative for their stock. Firstly, was a payment made at the farm-gate. This amount is calculated on a per head basis or under the schedule, and is paid within two weeks of the stock being killed. Secondly, was a payment made at the end of the financial year. This rebate is calculated (by share of stock supplied) as an individual portion of any surplus enjoyed by the firm (Desmond, 1951). However, the rebate, which is, in part, a measure of the 'efficiency' of the firm is actually of far less significance to farmers than the monies they get at the farm-gate (Alexander, 1990). Because of the very unequal weighting given to payments at the farm-gate and rebated reimbursements, farmers were (and remain) decidedly ambivalent about the prices paid by their co-operative for stock.<sup>22</sup> That is, as a host of writers has noted, farmers have only a conditional loyalty to firms (including the ones they own in part) and will inevitably try to sell to the firm with the highest prices on the day (Evans, 1985, Hussey, 1992; and more recently McWilliams, 1994, for the Boston Consulting Group, cited in Stewart).<sup>23</sup>

In many respects, the co-operative firms possess an incentive or disposition to offer the highest possible prices for stock and this particular aspect of the fusion of shareholding and supply found its full expression in the context of the showdown involving Alliance, PPCS and Fortex. That is, throughout the last four seasons of its operation, whenever the Fortex Group appeared to be gaining a disproportionate share of the kill, one or both of the co-operative firms would improve on the schedule and thereby ratchet-up the price of stock.

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22 I was fortunate to be able to attend several meetings held for the suppliers of Alliance and PPCS in the mid-Canterbury area in 1990-1995.

23 Stewart, K., 'Freemarket follies', *NZ Listener*, 25/6/94.

### **Conclusion: Beyond the narrative of success?**

In this account of failure I have argued that orchestrated narratives of success present Fortex as an emergent form of business and as the future of the industry. By contrast, the farmers' co-operatives (greatly enlarged as they were by the dismemberment of Waitaki International and apparently backed by the Meat Producers' Board) were represented as vestiges and 'dinosaurs'.<sup>24</sup> However, it was the Fortex Group that faced resistance from farmers and ultimately faltered in the struggle for stock. In doing so it left Alliance and PPCS, the dinosaurs, almost unchallenged in the South Island (see appendices 1 and 2). In other words, the innovation in the deals achieved by the Fortex Group with the union were undone. Thompson's failure was his inability to rework the deals with farmers over supply.

The intensification of competition for stock by Alliance, PPCS and Fortex was a very visible manifestation of the dilemmas that for an extended time have confronted the firms engaged in processing (New Zealand Freezing Companies Association, 1980). In this regard, the collapse of yet another processing firm was nothing out of the ordinary, in that failures of such firms are close to being the rule in the export meat industry (Savage, 1990). Putting it another way, what writers in other societies have identified as a crisis of farming (Buttel, 1989; Commins, 1990; Coulomb and Delorme, 1989; Cox, Lowe and Winter, 1989; Frankel, 1983; Goodman and Redcliff, 1989b, 1991; Redcliff, 1984; Tubiana, 1989; Wilson, 1977) was instead channelled in New Zealand by the Meat Producers' Board and a host of deals to become a crisis of processing (Cloke, 1989; Evans, 1985; Hussey, 1992; Le Heron, 1988b).

The channelling of dilemmas into the sphere of processing was expressed first as a marginalisation of local agribusiness firms and it

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24 'Dinosaurs 1, Fortex Nill', *Otago Daily Times*, nd; Weir, J., 'Fortex makes splash with evolutionary breakthrough', *The Dominion Sunday Times*, 3/6/90.

underpinned a working compromise of farmers and international agribusiness firms (Neilson, 1982). The withdrawal of international agribusiness firms left a vacuum which the local firms, most notably Waitaki International and the Fortex Group, tried to fill. This objective proved to be unobtainable for the local enterprises. While Waitaki and Fortex adopted very different approaches to building a new integrated marketing company, in large part, both were stymied by the insubordination of farmers. In this regard, the mounting problems confronting the export meat industry were manifested as the difficulty of sustaining any version of a local business capable of brokering deals with farmers (Savage, 1990).

Further, the long-run tendency for the actors in the industry has been unfavourable as their returns on investment seemingly decline in comparison with those in other sectors (Cloke, 1989; Fairweather, 1987; Sandrey and Reynolds, 1990; Wallace and Lattimore, 1987). As one farmer noted:

"Unless there is a substantial increase in fat lamb prices to farmers, I believe that the freezing (processing) industry could well be a thing of the past. A good example is the cost of producing fat lambs. In 1957 I purchased a new tractor equipped with a hydraulic system. It cost me just under 300 fat lambs. The present price of a similar new tractor is 1700 fat lambs." <sup>25</sup>

The maintenance of prices at the farm-gate therefore is ever more likely to bring farmers into open conflict with the agribusiness firms (of which they are shareholders). That is, the ability of farmers to benefit from a form of control that secures high prices for stock at the farm-gate and ever narrowing margins for agribusiness firms is very likely approaching its limits (Perry, 1992; Savage, 1990). At the same time, the transfer of the assets of Waitaki and Fortex, and therefore the bulk

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25 Edgar, J., 'Letter to the Editor', *Christchurch Press*, 20/7/91.



of processing and export, into the hands of the co-operatives raises the prospect that the more farmers succeed in pressuring agribusiness firms the more they will be cutting their own throats. Further, it may well be the case that the sphere of processing is so insolvent and the firms in it are in such a state of disarray that the consortium of banks who finance the firms in the industry is set to circumvent the longstanding institutions and forms of control to protect their outstanding loans (Hussey, 1992; Perry, 1992). Such a by-passing of longstanding arrangements is certainly central in the restructuring and transformation of other industrial networks (Fligstein, 1990; Campbell, Hollingsworth and Lindberg, 1991).

In this regard, the foreclosure on Fortex,<sup>26</sup> and then the refusal of financiers to broker a rescue deal (Interview, Union official #1) arguably reflected a decision by officials of the firm's (and the industry's) main backers, the Australia New Zealand Bank and the Bank of New Zealand, to force the realignment of processing capacity in the South Island most favourable to them.<sup>27</sup> Consequently, Fortex was sacrificed at the insistence of interests outside the industry, and was closed rather than PPCS or Alliance, mainly because it owed less to the banks and its assets might be worth more than its competitors (Stewart, 1994).<sup>28</sup> It was this resolution that was to ultimately end Thompson's career in the export meat industry.

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26 Archibald, J. and N. Topp, 'Pay-cut plea fails as 1800 jobs go', *Christchurch Press*, 26/3/94.

27 The reluctance on the part of the financiers to revive the Fortex Group was despite guarantees from union officials at Seafield and Silverstream of a reduction in the annual wage bill of the company in excess of \$15 million (nearly \$200 per worker per week).

28 Brett, C., 'Silence of the lambs', *North and South*, July 1994; Hutching, C., 'Shaking the system', *New Zealand Business*, October, 1990; Stewart, K., 'Freemarket follies', *NZ Listener*, 25/6/9.

## Chapter 10

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### Conclusion.

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In this thesis I have focussed on the politics family farmers have utilised to exercise control over the export meat industry. I have attempted to answer three questions. Firstly, how have farmers retained centrality in the export meat industry? Secondly, what are the consequences of this centrality for the other actors in the industry? Thirdly, what is the relationship between the success of family farming and the recurring failure of agribusiness firms? The answer of these questions provoked an account of the historical process by which farmers pursued forms of control 'off-farm'.

Framing the questions in this way allowed me to both situate farmers as securing controls appropriate to their reproduction as family farmers, but also as constrained by the control efforts of other actors in the export meat industry. I have described the Meat Producers' Board as generally acting in the farmers' collective interest. Insofar as a large part of the Board's control was exercised over processing firms it was also the case, however, that processing firms resisted this control and sought other ways of operating which directly challenged the Board. For example, I have described the way in which John Neilson and Waitaki International attempted to challenge the Meat Producers' Board and how, after defeating Neilson's challenge, the Board was to take up the very policies advocated by him. These shifting positions of the Board, acting as the farmers' agent, were described as being outcomes of its attempts to control both local and global markets.

Similarly, the meatworkers unions and sub-branches, the other major actors in the industry, were described as shifting their positions vis-a-vis farmers over time. The position of the union sub-branches and, in particular, the delegate in the unions' style of operation was contrasted with the new position of the hybrid delegate-team leader in the Fortex company. In the former arrangement, unions were not directly concerned with the fate of farmers, and meatworkers' strikes were resented bitterly by farmers. In the latter, the union sub-branches sought active alliances with farmers in order to secure particular outcomes with regard to the quality of work. The thesis documents how these shifting union positions were taken up.

### **Farmers as both local and global actors.**

It is my contention that to appreciate how farmers in New Zealand exercised control 'off-farm' and over the export meat industry it is necessary to grasp how local markets in stock and global markets in meat were arranged. Markets for stock were delimited in local space by the territories or catchments of local meat processing firms. Markets for meat were delimited in global space by the cold stores, depots and shops of wholesalers. Securing access to markets was, in both cases, paramount to farmers. On the one hand, farmers could sell stock only if their farms were encompassed by the catchment(s) of some processing firm. On the other hand, farmers could sell meat only if they could use the transnational infrastructure of refrigeration and distribution.

Insofar as farmers secured access to processing in New Zealand and to wholesaling in Britain, they also secured their livelihoods. I have documented how access to these local and global markets, and with it farmers' control, was achieved first independently by farmers using contractual arrangements, and subsequently through the Meat Producers' Board and legislative intervention. Prior to the formation of

the Board farmers utilised an array of deals covering stock auctions, the consignment of frozen meat and sub-contracted processing. Their control over these deals engendered a multiplicity of firms through which they could readily access processing and wholesaling. With the formation of the Board these types of deals were effectively extended. The Board acted as the legal guarantor of these deals. In doing so the Board, acting as the farmers' agent, offset the threat of subordination posed by international agribusiness firms. The existence of the Board allowed farmers to resist the imposition of conditions of monopsony (in markets for stock) and at the same time facilitated their efforts in marketing their own meat.

The creation of the Board, in 1923, was a response on the part of farmers, sponsored by the state, to a dramatic restructuring of overseas markets in the form of the concentration of wholesaling in the hands of the international agribusiness firms. Thereafter, the Board forestalled any rationalisation of stock procurement or processing in New Zealand and guaranteed farmers' at least a vestige of access to wholesaling in Britain. Nevertheless, the international agribusiness firms were entrusted with a substantial share of processing and an even greater one of the export trade. This form of agribusiness control reflected, in part, the muscle of international agribusiness firms. It also showed the nature of an historic compromise reached between farmers, the Board and international agribusiness firms. Insofar as the integrated operations of the international agribusiness firms could be safely constrained and their economies of scale were not deployed to subordinate farmers, their ability to clear very large volumes of export product through wholesaling became of real benefit to farmers.

The Board operated, then, as a broker of the threat and benefits posed by international agribusiness firms. The Board developed a number of different ways of regulating local and global markets in favour of farmers; ranging from inspection in processing plants, to

classification of the schedule for stock, and negotiation with shipping lines. However, the main 'tool' used by the Board to secure the interests of farmers was the licensing of all firms engaged in processing.

The Board used industrial licensing (1934-1981) to maintain agribusiness firms (both international and local) as fiercely competitive buyers in localised markets for stock. At the same time, as the farmers' agent it also used licensing to enforce its policy of the 'open door' (which made processing facilities readily available for farmers) and to prevent any process of rationalisation in the industry. In doing so, the Board also cemented a subordination of local agribusiness firms to farmers and international agribusiness firms.

This use of industrial licensing by the Board may be seen as a peculiar form of franchising. In this form, rather than securing the licensees (as franchising normally does), its use by the Board made firms in processing inherently unstable. In the case of the export meat industry the Board franchised not the right to any throughput or territory (in which to buy stock), but merely the permission to make offers to local farmers for stock and further to do so in competition with other licensees in the local farming district.

The Board moved towards more typical franchising arrangements in the context of abandoning industrial licensing in favour of its own managed rationalisation of the industry. This more typical form extended franchises in the form of overseas market monopolies to agribusiness firms. To date their efforts at formalising the franchising of overseas markets remain incomplete.

### **The politics of farmers.**

This thesis shows how many of the problems that the Board resolved for farmers were to result in different problems for agribusiness firms. Specifically, the agribusiness firms were constrained by the farmers' control of the industry to operate in conditions of overlapping catchments and, what was effectively, a forced competition for stock. Their unremitting efforts to secure adequate levels of throughput not only made them exceedingly vulnerable to farmers (and inflated the price for stock in local farming districts), but it also made them vulnerable to the meatworkers' unions (and inflated wages in processing plants). The constraints on processing provide an explanation for the recurring failure of agribusiness firms and for their continued efforts at restructuring the control of local and global markets. This effort, in turn, shaped much of the resources and strategies of the unions.

The initial advantage to the meatworkers' unions in their dealings with processors lay in the unions' ability to secure markets for labour and to interfere, by playing firms off against each other, in the localised markets for stock. Control of labour markets involved the operation of union 'hiring halls' and the administration of seniority in the hiring of seasonal labour. By these mechanisms the unions, like farmers, were able to exploit seasonality in their dealings with processors.

Within the plants the local union delegates were central to the organisation of work and to the ability of individual firms to secure throughput. At the same time, the local delegates were central to the federations of the unions. It was through these local delegates that the rules of seniority were applied and that the host of 'tops ups' of the Award were negotiated. While the federations of the meatworkers' unions eventually splintered under the combined pressure of the Board's managed rationalisation in the industry and worsening

conditions in labour markets, the role of the delegate in 'running the room' remained central in a later re-fashioning of processing.

The problems facing agribusiness firms were illustrated through the 'projects' of John Neilson and Waitaki International and Graeme Thompson and Fortex. Neilson's project, the building of Waitaki International, left intact the unions' control of processing. Neilson's project aimed at wresting control from farmers and in many respects supported the meatworkers' unions. However, the demise of Waitaki, the closure and down-sizing of many of its plants, strained fatally the federations of the meatworkers' unions. Graeme Thompson's project profited from the 'fallout' of agribusiness firms like Waitaki International, of the Board's failed attempt at managed rationalisation, and of the disarray of the meatworkers' unions. The crux of the effort made by the Fortex company involved an attempt to establish a new form of integrated marketing company. This involved the reworking of deals between unions and management in the processing plants. Fortex attempted to secure a deal with the union which allowed it to customise its products on a year round basis using shift work at its plants.

The Fortex deal was dramatically different to those previously secured in the industry. In this deal the ability of local union delegates to keep the plant running became formalised through the arrangements of team leaders. What was attempted at Fortex was a novel form of enterprise unionism which drew upon the local union delegates to maximise throughput for the firm rather than to threaten it. This deal effectively removed Fortex from the ambit of the broader meatworkers' unions and contributed to the further splintering of its federations.

Nevertheless, Fortex remained reliant on farmers in local markets for stock. In this respect, Thompson fronted an approach to farmers that

made appeals to them in terms of adding value and niche marketing, whereas, Neilson had at best only ever down-played the threat to farmers from Waitaki International. Making the appeals to farmers also involved the union in a new marketing role at Fortex. The union was utilised in campaigns to change farmers' methods of production and simultaneously to convince them to enter into long-term contracts with the firm.

The new arrangements with the union were, however, to prove to be central in the firm's undoing in the local markets for stock. In short, because the farmers' co-operative processing firms were able to offer better prices at the farm-gates than Fortex, the firm was deserted by its suppliers. Without throughput the new deal with the union was rendered useless. Like Waitaki, its plants were closed and within weeks Fortex was liquidated. In the Fortex case a 'strike' by farmers ultimately destroyed the firm.

This failure, like Waitaki International before it, was used in the thesis to review how the confrontation between farmers and agribusiness firms does not have to be resolved in terms of the marginalisation of the former and the triumph of the latter. In the export meat industry of New Zealand family farmers and agribusiness firms co-existed. Their co-existence was secured by the state through the Meat Producers' Board. The political deals that secured this co-existence resulted, however, in the recurring failure of the firms which processed meat. The explanation of these failures lies not in any assumed process of commodification or control, but rather in the way in which markets, both local and global, were structured through political interventions by farmers.



## **Appendix 1.**

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### **International agribusiness firms, proprietary firms and farmers' firms in the export meat industry.**

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This appendix lists all the processing plants to have operated in the export meat industry and characterises the firms that owned them. In it I characterise these firms as being: (1) international agribusiness firms, and I divide local agribusiness firms into (2) proprietary firms, and (3) farmers' firms. The appendix also shows the presence of some of the contracts by which the output of sub-contracted processing firms was secured by other firms.

There are a number of books on firms (Brett, 1974; Harrison, 1963; Knightley, 1981; Lind, 1981, 1985; Loach, 1969; Macdonald, 1957; Perriam, 1989; Scott, 1973; Strang, 1960; Taranaki Producers, 1952; Waites, nd), and official histories (Barton, 1984; Department of Statistics, 1972, 1973, 1982; Hayward, 1973), and other accounts of the industry (Critchell and Raymond, 1912; Hartley, 1989; Hereford, 1932; Le Heron, 1988b; McNulty, 1958; and Symington, 1972) which proved useful in constructing this appendix. While they do not constitute a comprehensive overview of ownership, they allowed considerable cross referencing with the material I gained from interviewing and aided the decisions I made determining what was the character of individual firms. Such triangulation allowed what I believe is, to date, the most comprehensive classification of the plants and firms to have operated in New Zealand.

International agribusiness firms: 1882-1960.

1882-1889	1900-1909	1910-1919	1920-1929	1930-1939	1940-1960
		<u>Borthwicks</u> Waitara Paki Paki	<u>Borthwicks</u> Waitara Paki Paki Canterbury	<u>Borthwicks</u> Waitara Paki Paki (closed 1931) Waingawa Feilding Canterbury	<u>Borthwicks</u> Tokumaru (closed 1952) Waitara Waingawa Feilding Canterbury
					<u>Co-operative</u> <u>Wholesale</u> <u>Society (UK)</u> Longburn Ocean Beach
<u>Nelson Bros</u> Tomoana Waipukurau (closed 1893) Woodville (closed 1897)	<u>Nelson Bros</u> Taruheu Tomoana Hornby	<u>Nelson Bros</u> Taruheu Tomoana			
	<u>North British &amp;</u> <u>Hawkes Bay</u> <u>Farmers Meat</u> Westshore	<u>North British &amp;</u> <u>Hawkes Bay</u> <u>Farmers Meat</u> Westshore	<u>North British &amp;</u> <u>Hawkes Bay</u> <u>Farmers Meat</u> Westshore (closed 1924)		
				<u>Sims</u> Ngauranga 1/2 Ocean Beach	<u>Sims</u> 1/2 Ocean Beach
				<u>Swifts</u> 1/2 Ocean Beach	<u>Swifts</u> Ngauranga Wairoa
			<u>Vesteys</u> Reotahi (closed 1921) Westfield Taruheu (closed 1923) Waipooa (closed 1923) Tomoana	<u>Vesteys</u> Westfield Tomoana 1/2 Kaiti	<u>Vesteys</u> Westfield Tomoana Kaiti Patea

**Proprietary Firms: 1882-1960.**

<b>1882-1889</b>	<b>1900-1909</b>	<b>1910-1919</b>	<b>1920-1929</b>	<b>1930-1939</b>	<b>1940-1960</b>
<u>Auckland</u> <u>Frozen Meat /</u> <u>Bank of New</u> <u>Zealand</u> <u>Westfield</u>	<u>Auckland</u> <u>Frozen Meat /</u> <u>Bank of New</u> <u>Zealand</u> <u>Westfield</u>				
<u>Canterbury</u> <u>Frozen Meat</u> <u>Belfast</u>	<u>Canterbury</u> <u>Frozen Meat</u> <u>Belfast</u> <u>Fairton</u>	<u>Canterbury</u> <u>Frozen Meat</u> <u>Belfast</u> <u>Fairton</u> <u>Pareora</u>	<u>Canterbury</u> <u>Frozen Meat</u> <u>Belfast</u> <u>Fairton</u> <u>Pareora</u>	<u>Canterbury</u> <u>Frozen Meat</u> <u>Belfast</u> <u>Fairton</u> <u>Pareora</u>	<u>Canterbury</u> <u>Frozen Meat</u> <u>Belfast</u> <u>Fairton</u> <u>Pareora</u>
	<u>Christchurch</u> <u>Meat</u> <u>Picton</u> <u>Blenheim</u> <u>Islington</u> <u>Smithfield</u>				
	<u>Federal Steam</u> <u>Navigation</u> <u>(Ocean</u> <u>Beach</u> <u>Freezing)</u> <u>Ocean Beach</u>	<u>Federal Steam</u> <u>Navigation</u> <u>(Ocean</u> <u>Beach</u> <u>Freezing)</u> <u>Ocean Beach</u>	<u>Federal Steam</u> <u>Navigation</u> <u>(Ocean</u> <u>Beach</u> <u>Freezing)</u> <u>Ocean Beach</u>		
<u>Gear Meat</u> <u>Petone</u>	<u>Gear Meat</u> <u>Petone</u>	<u>Gear Meat</u> <u>Petone</u>	<u>Gear Meat</u> <u>Petone</u>	<u>Gear Meat</u> <u>Petone</u>	<u>Gear Meat</u> <u>Petone</u>
	<u>Hellabys</u> <u>Westfield</u>		<u>Hellabys</u> <u>Shortland</u>	<u>Hellabys</u> <u>Shortland</u>	<u>Hellabys</u> <u>Shortland</u>
				<u>Huttons</u> <u>Eltham</u>	<u>Huttons</u> <u>Eltham</u>
	<u>Mitchells</u> <u>Aramoho</u>	<u>Mitchells</u> <u>Aramoho</u> <u>(closed 1914)</u>			
	<u>Mount</u> <u>Egmont</u> <u>Freezing</u> <u>Waitara</u>				
	<u>National</u> <u>Mortgage</u> <u>and Agency</u> <u>of NZ</u> <u>Longburn</u>	<u>National</u> <u>Mortgage</u> <u>and Agency</u> <u>of NZ</u> <u>Longburn</u>	<u>National</u> <u>Mortgage</u> <u>and Agency</u> <u>of NZ</u> <u>Longburn</u>	<u>National</u> <u>Mortgage</u> <u>and Agency</u> <u>of NZ</u> <u>Longburn</u>	

**Proprietary Firms: 1882-1960.**

1882-1889	1900-1909	1910-1919	1920-1929	1930-1939	1940-1960
		<u>Nelson Freezing</u> Nelson	<u>Nelson Freezing</u> Nelson	<u>Nelson Freezing</u> Nelson	<u>Nelson Freezing</u> Nelson
			<u>NZ Meat Packing and Bacon</u> Eltham		
<u>NZ Refrigerating</u> Burnside	<u>NZ Refrigerating</u> Eveline Burnside	<u>NZ Refrigerating</u> Picton Hornby Islington Smithfield Eveline (closed 1912) Burnside	<u>NZ Refrigerating</u> Imlay Picton Hornby Islington Smithfield Pukeuri Burnside	<u>NZ Refrigerating</u> Castlecliff Imlay Picton Islington Smithfield Burnside	<u>NZ Refrigerating</u> Imlay Picton Islington Smithfield Burnside
<u>South Canterbury Freezing</u> Smithfield					
<u>Southland Freezing</u> Bluff (killing for Nelson Bros)	<u>Southland Freezing</u> Mataura Bluff (killing for Nelson Bros)	<u>Southland Freezing</u> Mataura Makerewa Bluff (closed 1913)	<u>Southland Freezing</u> Mataura Makerewa (killing for Borthwicks)	<u>Southland Freezing</u> Mataura Makerewa (killing for Borthwicks)	<u>Southland Freezing</u> Mataura Makerewa (killing for Borthwicks)
		<u>South Otago Freezing</u> Finegand (killing for Andersons)	<u>South Otago Freezing</u> Finegand (killing for Borthwicks, CWS, NZR)	<u>South Otago Freezing</u> Finegand (killing for Borthwicks, CWS, NZR)	<u>South Otago Freezing</u> Finegand (killing for Borthwicks, SFM, NZR)
	<u>Wanganui Meat Freezing</u> Castlecliff	<u>Wanganui Meat Freezing</u> Castlecliff	<u>Wanganui Meat Freezing</u> Castlecliff (closed 1926)		
<u>Wellington Meat Export</u> Ngauranga	<u>Wellington Meat Export</u> Ngauranga	<u>Wellington Meat Export</u> Ngauranga	<u>Wellington Meat Export</u> Ngauranga Karariki (closed 1921)		
		<u>Whangarei Freezing</u> Reotahi			

**Farmers' Firms: 1882-1960.**

1882-1889	1900-1909	1910-1919	1920-1929	1930-1939	1940-1960
	<u>Auckland</u> <u>Farmers</u> <u>Freezing</u> Southdown	<u>Auckland</u> <u>Farmers</u> <u>Freezing</u> Southdown (killing for Borthwicks)	<u>Auckland</u> <u>Farmers</u> <u>Freezing</u> Morewa Southdown Horotiu (killing for Borthwicks)	<u>Auckland</u> <u>Farmers</u> <u>Freezing</u> Morewa Southdown Horotiu (killing for Borthwicks)	<u>Auckland</u> <u>Farmers</u> <u>Freezing</u> Morewa Southdown Horotiu (killing for Borthwicks)
			<u>East Coast</u> <u>Co-operative</u> <u>Freezing</u> Whakatane (closed 1926)		
			<u>Feilding</u> <u>Farmers</u> <u>Freezing</u> Feilding		
	<u>Gisborne</u> <u>Sheep-farmers</u> <u>Frozen Meat</u> Kaiti  (killing for Borthwicks)	<u>Gisborne</u> <u>Sheep-farmers</u> <u>Frozen Meat</u> Kaiti  (killing for Borthwicks)	<u>Gisborne</u> <u>Sheep-farmers</u> <u>Frozen Meat</u> Tokumaru Kaiti (killing for Borthwicks)	<u>Gisborne</u> <u>Sheep-farmers</u> <u>Frozen Meat</u> Tokumaru 1/2 Kaiti (killing for Borthwicks)	
			<u>Hawkes Bay</u> <u>Farmers Meat</u> Whakatu	<u>Hawkes Bay</u> <u>Farmers Meat</u> Whakatu (killing for Vesteys)	<u>Hawkes Bay</u> <u>Farmers Meat</u> Whakatu (killing for Vesteys)
			<u>Hicks Bay</u> <u>Farmers Meat</u> Hicks Bay (closed 1924)		

**Farmers' Firms: 1882-1960.**

1882-1889	1900-1909	1910-1919	1920-1929	1930-1939	1940-1960
			North Canterbury Sheep-farmers Co-operative Freezing Kaiapoi	North Canterbury Sheep-farmers Co-operative Freezing Kaiapoi (killing for Sims)	North Canterbury Sheep-farmers Co-operative Freezing Kaiapoi (killing for Swifts)
			Otiahape Farmers Freezing Otiahape (closed 1926)		
	Patea Farmers Co-operative Freezing Patea	Patea Farmers Co-operative Freezing Patea	Patea Farmers Co-operative Freezing Patea	Patea Farmers Co-operative Freezing Patea (killing for Sims and NZR)	
		Poverty Bay Farmers Meat Waipaoa			
	Taranaki Farmers Freezing Moturoa	Taranaki Farmers Freezing Moturoa (closed 1922)			
		Tokumaru Bay Farmers Meat Tokumaru			
		Wairarapa Farmers Meat Waingawa	Wairarapa Farmers Meat Waingawa (killing for Borthwicks)		
			Wairoa Farmers Co- operative Meat Wairoa	Wairoa Farmers Co- operative Meat Wairoa	
			Waitaki Farmers Co- operative Freezing	Waitaki Farmers Freezing Pukeuri (killing for NZR)	Waitaki Farmers Freezing Pukeuri (killing for NZR)

**International agribusiness firms: 1960-1995.**

1960-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995
<u>Borthwicks</u> Waitara Waingawa Feilding	<u>Borthwicks</u> Waitara Waingawa Feilding	<u>Borthwicks</u> - <u>CWS</u> Waitara Waingawa Feilding Longburn			
<u>Co-operative</u> <u>Wholesale</u> <u>Society (UK)</u> Longburn Ocean Beach	<u>Co-operative</u> <u>Wholesale</u> <u>Society (UK)</u> Longburn Ocean Beach				
<u>Swifts</u> Ngauranga (closed 1974) Wairoa					
<u>Vesteys</u> Westfield Tomoana Kaiti Patea	<u>Vesteys</u> Westfield Tomoana Kaiti Patea Cambridge Feilding	<u>Vesteys</u> Westfield Tomoana Kaiti Patea (closed 1982) Cambridge Feilding	<u>Vesteys</u> Westfield (closed 1988) Tomoana Kaiti Cambridge Feilding Whangarei	<u>Vesteys</u> Tomoana (closed 1995) Kaiti (closed 1995) Awapuni (closed 1995) Cambridge (closed 1995) Feilding (closed 1995) Whangarei (closed 1995)	

Proprietary Firms: 1960-1995.

1960-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995
			Atas / Nelson Bays Meat Producers Takaka	Atas / Nelson Bays Meat Producers Takaka	Atas / Nelson Bays Meat Producers Takaka
				Auckland City Abattoir Otahuhu	Auckland City Abattoir Otahuhu
			Blue Sky Meats (NZ) Gore	Blue Sky Meats (NZ) Gore	
Canterbury Frozen Meat and Borthwicks Belfast Canterbury Fairton Pareora (killing for Borthwicks)	Canterbury Frozen Meat and Borthwicks Belfast Canterbury Fairton Pareora (killing for Borthwicks)				
					Canterbury Meat Packers Seafield
			Cavalier Meats Tirau	Cavalier Meats Tirau	Cavalier Meats Tirau
				Coromandel Meat Processors Totara	Coromandel Meat Processors Totara
	Dawn Meats (NZ) Hawera Paeroa	Dawn Meats (NZ) Hawera Paeroa			
		Fletcher Challenge / Challenge Meats Mataura Makerewa Dunedin	Fletcher Challenge / Challenge Meats Mataura Makerewa Dunedin (closed 1990)		
			Fortex Group Seafield	Fortex Group Seafield Silverstream	



**Proprietary Firms: 1960-1995.**

1960-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995
			<u>Frasertown Meats</u> Frasertown	<u>Frasertown Meats</u> Frasertown	<u>Frasertown Meats</u> Frasertown
<u>Gear Meat</u> Petone	<u>Gear Meat</u> Petone (closed 1979)				
					<u>Greenlea Premier Meats</u> Hamilton
			<u>Hawera Meat Processors</u> HMP-Hawera	<u>Hawera Meat Processors</u> HMP-Hawera	<u>Hawera Meat Processors</u> HMP-Hawera
<u>Hellabys</u> Shortland	<u>Hellabys</u> Whangarei Shortland	<u>Hellabys</u> Whangarei Taumarunui Shortland			
				<u>Hill Country Beef NZ</u> Napier	<u>Hill Country Beef NZ</u> Napier
<u>Huttons</u> Eltham	<u>Huttons</u> Eltham				
				<u>King Country Lamb-Benneydale</u> Benneydale (closed 1995)	
			<u>Lakeview Meats</u> Levin	<u>Lakeview Meats</u> Levin	
			<u>Lowe Walker</u> Hawera Paeroa Te Aroha	<u>Lowe Walker</u> Hawera Paeroa Te Aroha	<u>Lowe Walker</u> Hastings Hawera Paeroa Te Aroha Dargaville

Proprietary Firms: 1960-1995.

1960-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995
<u>Nelson</u> <u>Freezing</u> Nelson (killing agent) for					
<u>NZ</u> <u>Refrigerating</u> Imlay Picton Islington Smithfield Burnside					
				<u>NZ</u> Beef <u>Packers</u> Whakatu	
			<u>Paramount</u> <u>Export</u> Te Kauwhata	<u>Paramount</u> <u>Export</u> Te Kauwhata	<u>Paramount</u> <u>Export</u> Piriaka
			<u>Phoenix Meat</u> Greymouth	<u>Phoenix Meat</u> Greymouth	<u>Phoenix Meat</u> Greymouth
				<u>Pro-Pacific</u> Opotiki	<u>Pro-Pacific</u> Opotiki
			<u>Progressive</u> <u>Meats</u> Hastings	<u>Progressive</u> <u>Meats</u> Hastings	<u>Progressive</u> <u>Meats</u> Hastings
	<u>Richmond</u> Pacific	<u>Richmond</u> Pacific Oringi	<u>Richmond</u> Pacific Oringi	<u>Richmond</u> Pacific Oringi Takapau Otaki	<u>Richmond</u> Pacific Oringi Takapau Otaki Te Kauwhata
		<u>Riverlands</u> <u>/Brierley</u> <u>Investments</u> Eltham Blenheim	<u>Riverlands</u> <u>/Brierley</u> <u>Investments</u> Eltham Blenheim	<u>Riverlands</u> <u>/Brierley</u> <u>Investments</u> Eltham Blenheim	<u>Riverlands</u> <u>/Brierley</u> <u>Investments</u> Eltham Bulls Blenheim

Proprietary Firms: 1960-1995.

1960-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995
<u>Southland</u> <u>Freezing</u> Mataura Makerewa (killing for Borthwicks)	<u>Southland</u> <u>Freezing</u> Mataura Makerewa				
<u>South Otago</u> <u>Freezing</u> Finegand (killing for Borthwicks)					
			<u>South Pacific</u> <u>Meats</u> Morrinsville	<u>South Pacific</u> <u>Meats</u> Morrinsville	
	<u>Stevens NCF</u> Kaiapoi (killing for CFM)	<u>Stevens NCF</u> Kaiapoi (killing for CFM)			
				<u>Taylor Preston</u> Johnsonville	<u>Taylor Preston</u> Johnsonville
			<u>Te Kuiti Meat</u> <u>Processors</u> Te Kuiti	<u>Te Kuiti Meat</u> <u>Processors</u> Te Kuiti	<u>Te Kuiti Meat</u> <u>Processors</u> Te Kuiti

**Proprietary Firms: 1960-1995.**

1960-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995
					Waikato Beef Packers Morrinsville
<u>Waitaki Industries</u> Pukeuri (killing Vestey's) for	<u>Waitaki-NZR</u> Wairoa Imlay Picton Nelson Pukeuri Islington Smithfield Burnside Finegand	<u>Waitaki-NZR</u> Wairoa Imlay Picton (closed 1982) Marlborough Nelson Pukeuri Islington Smithfield Burnside Finegand	<u>Waitaki International</u> Waitara Feilding Waingawa Longburn Takapau Whakatu (closed 1985) Wairoa Imlay Marlborough Nelson Pukeuri Islington (closed 1988) Smithfield Burnside (closed 1988) Finegand		
			<u>Waitotara Meat</u> Waitotara	<u>Waitotara Meat</u> Waitotara	<u>Waitotara Meat</u> Waitotara
			<u>Wallford Meats</u> Waitoa	<u>Wallford Meats</u> Waitoa	<u>Wallford Meats</u> Waitoa
			<u>Welpro Meats</u> Ngauranga	<u>Welpro Meats</u> Ngauranga	<u>Welpro Meats</u> Ngauranga



**Farmers' Firms: 1960-1995.**

1960-1974	1975-1979	1980-1984	1985-1989	1990-1994	1995
Hawkes Bay Farmers Meat Whakatu (killing for Borthwicks)	Hawkes Bay Farmers Meat Whakatu (killing for Borthwicks)	Hawkes Bay Farmers Meat Takapau Whakatu			
North Canterbury Sheep-farmers Co-operative Freezing Kaiapoi (killing for CFM and NZR)					
		Primary Producers Co- operative Society Belfast Canterbury Fairton Pareora	Primary Producers Co- operative Society Belfast Canterbury Fairton Pareora	Primary Producers Co- operative Society Marlborough Belfast Canterbury Fairton Pareora Fingand	Primary Producers Co- operative Society Marlborough Belfast Canterbury Fairton Pareora Fingand Silverstream Gore

## Appendix 2.

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### **Mapping the processing plants in New Zealand.**

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This appendix maps the information given in appendix 1, for the period after 1960, relating to the ownership of plants and character of the firms that owned them. It is hoped that the maps will aid an appreciation of the multiplicity of firms in the processing sector and of their overlapping catchments for buying stock. It is also intended that the time series provided by these maps will facilitate an appreciation of the wax and wane of firms.

PROCESSING PLANTS: 1960-1974

Proprietary firms

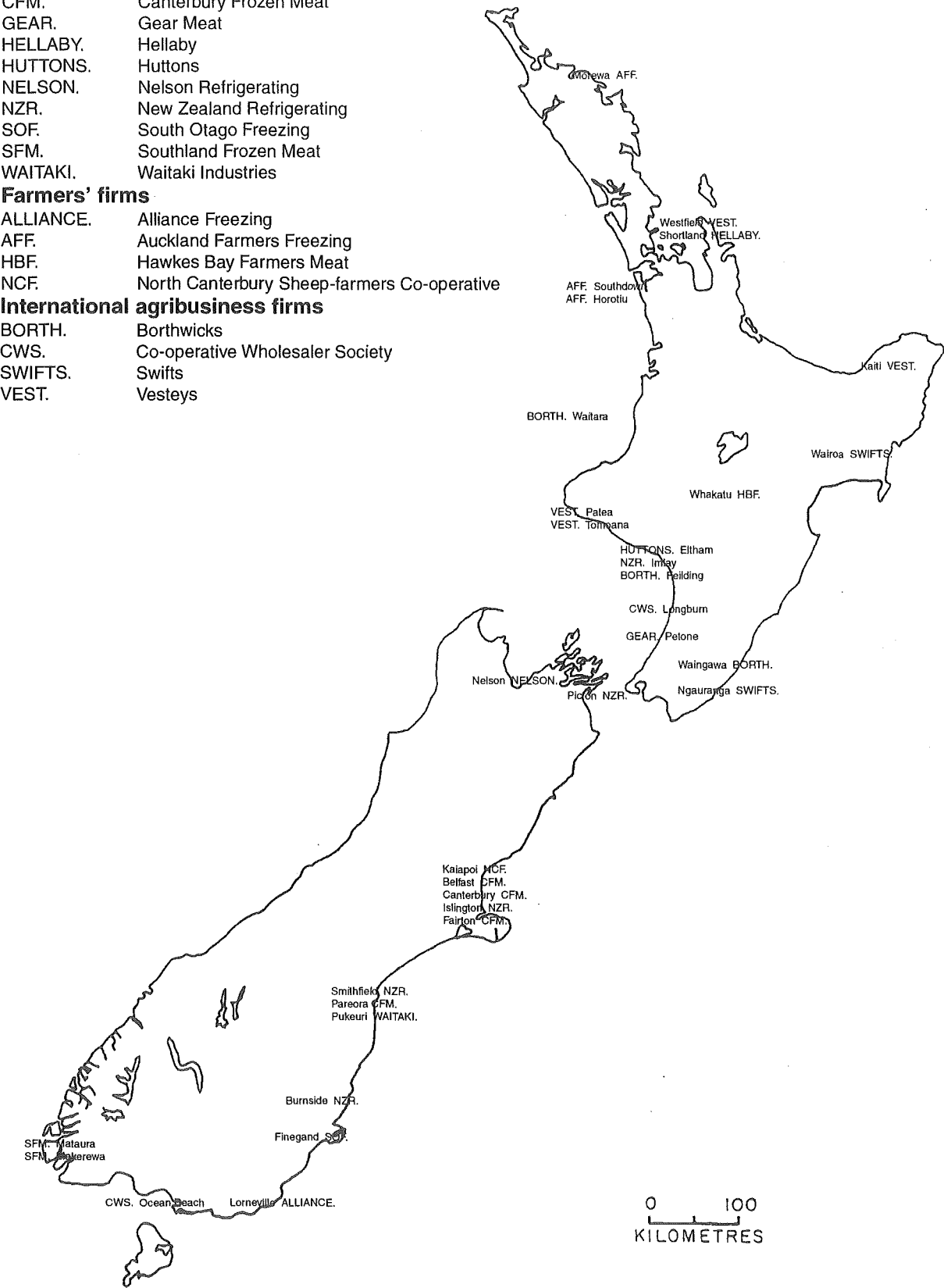
CFM.	Canterbury Frozen Meat
GEAR.	Gear Meat
HELLABY.	Hellaby
HUTTONS.	Huttons
NELSON.	Nelson Refrigerating
NZR.	New Zealand Refrigerating
SOF.	South Otago Freezing
SFM.	Southland Frozen Meat
WAITAKI.	Waitaki Industries

Farmers' firms

ALLIANCE.	Alliance Freezing
AFF.	Auckland Farmers Freezing
HBF.	Hawkes Bay Farmers Meat
NCF.	North Canterbury Sheep-farmers Co-operative

International agribusiness firms

BORTH.	Borthwicks
CWS.	Co-operative Wholesaler Society
SWIFTS.	Swifts
VEST.	Vestests





**PROCESSING PLANTS: 1975-1979**

**Proprietary firms**

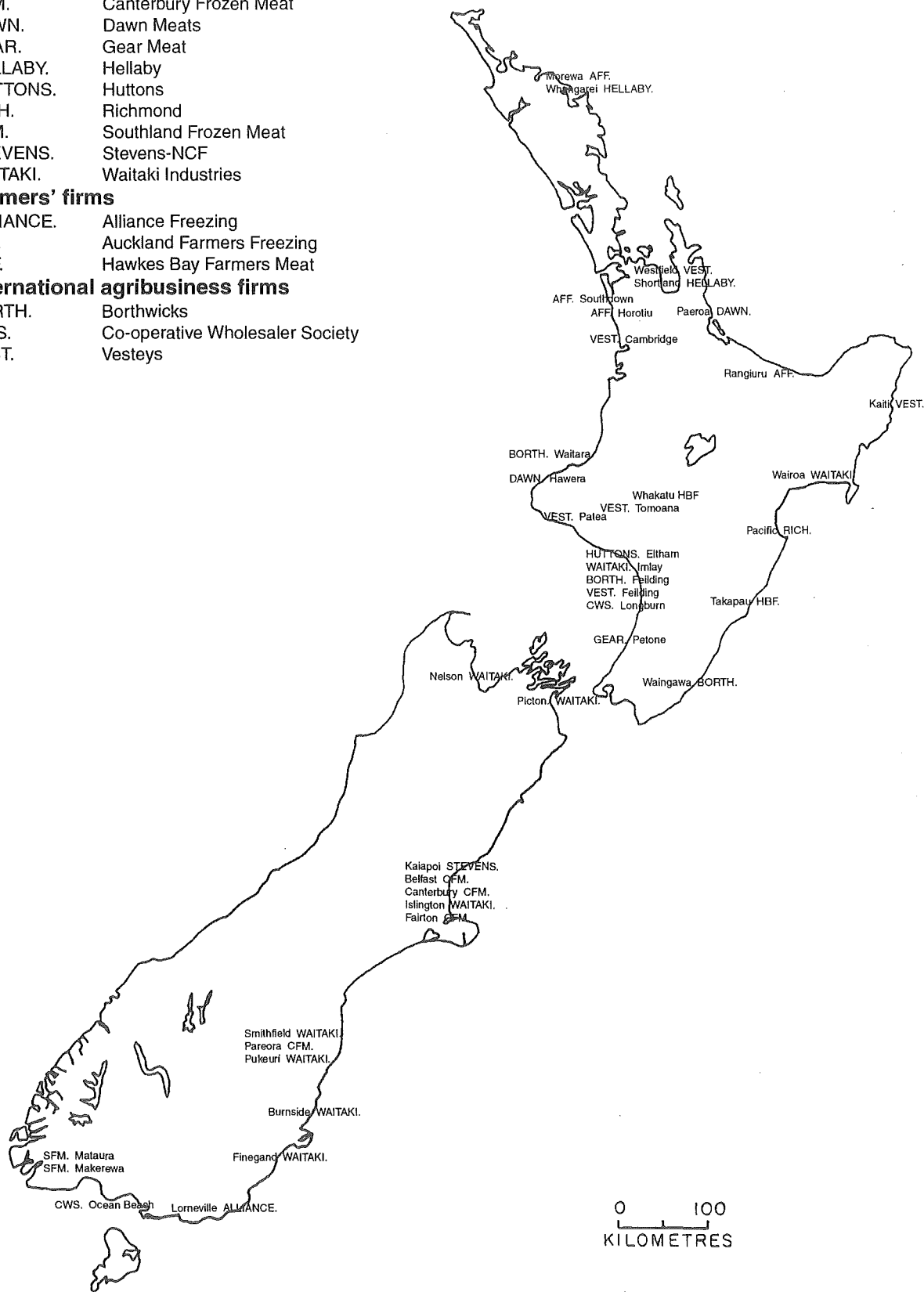
CFM.	Canterbury Frozen Meat
DAWN.	Dawn Meats
GEAR.	Gear Meat
HELLABY.	Hellaby
HUTTONS.	Huttons
RICH.	Richmond
SFM.	Southland Frozen Meat
STEVENS.	Stevens-NCF
WAITAKI.	Waitaki Industries

**Farmers' firms**

ALLIANCE.	Alliance Freezing
AFF.	Auckland Farmers Freezing
HBF.	Hawkes Bay Farmers Meat

**International agribusiness firms**

BORTH.	Borthwicks
CWS.	Co-operative Wholesaler Society
VEST.	Vesteys



**PROCESSING PLANTS: 1980-1984**

**Proprietary firms**

DAWN.	Dawn Meats
FCL.	Fletcher Challenge
HELLABY.	Hellaby
RICH.	Richmond
RIVER.	Riverlands
STEVENS.	Stevens-NCF
WAITAKI.	Waitaki Industries

**Farmers' firms**

ALLIANCE.	Alliance Freezing
AFF.	Auckland Farmers Freezing
HBF.	Hawkes Bay Farmers Meat
FME.	Farmers Meat Export
PPCS.	Primary Producers Co-operative Society

**International agribusiness firms**

BORTH.	Borthwicks
VEST.	Vesteys



PROCESSING PLANTS: 1985-1989

Proprietary firms

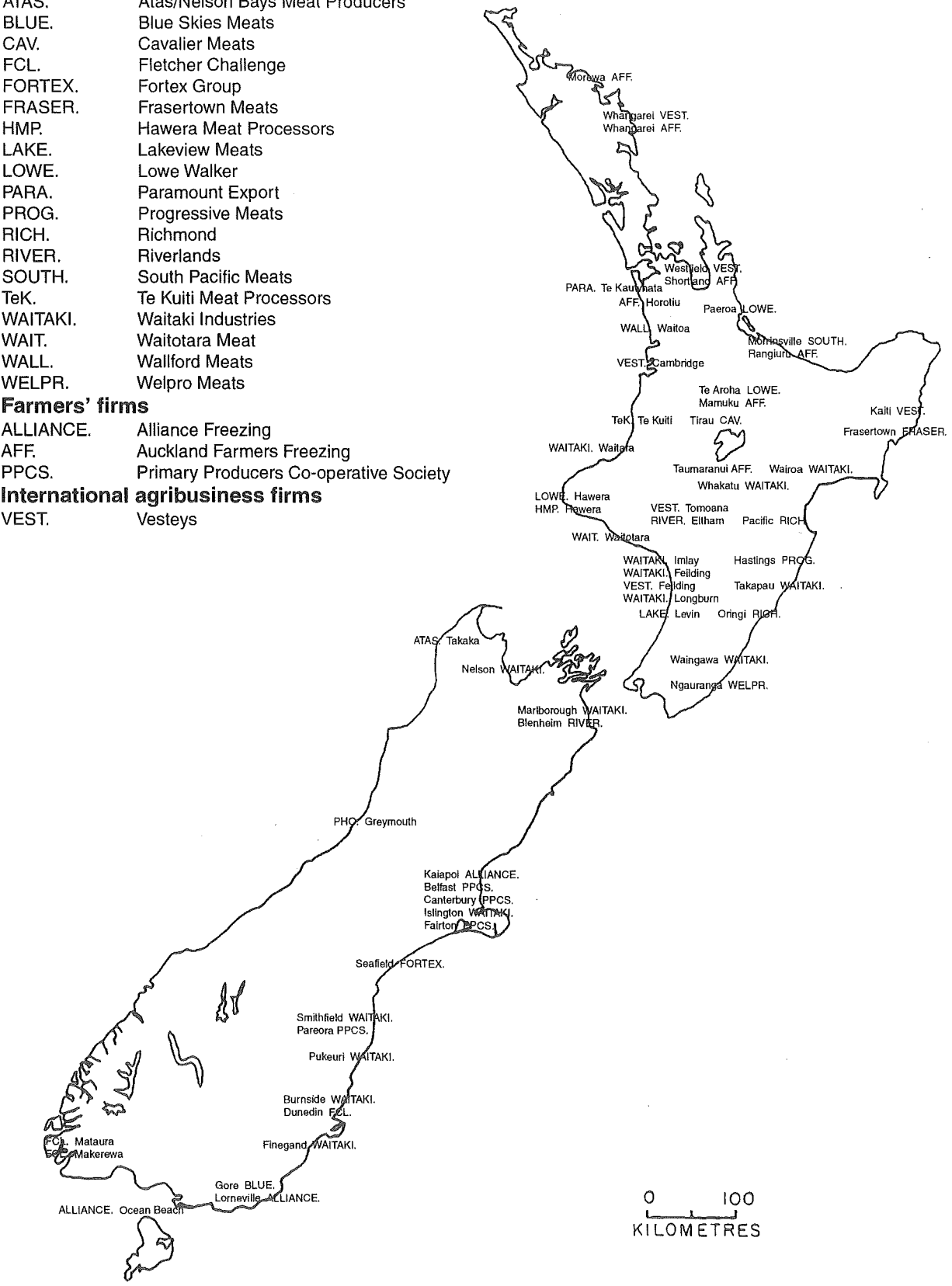
ATAS.	Atas/Nelson Bays Meat Producers
BLUE.	Blue Skies Meats
CAV.	Cavalier Meats
FCL.	Fletcher Challenge
FORTEX.	Fortex Group
FRASER.	Frasertown Meats
HMP.	Hawera Meat Processors
LAKE.	Lakeview Meats
LOWE.	Lowe Walker
PARA.	Paramount Export
PROG.	Progressive Meats
RICH.	Richmond
RIVER.	Riverlands
SOUTH.	South Pacific Meats
TeK.	Te Kuiti Meat Processors
WAITAKI.	Waitaki Industries
WAIT.	Waitotara Meat
WALL.	Wallford Meats
WELPR.	Welpro Meats

Farmers' firms

ALLIANCE.	Alliance Freezing
AFF.	Auckland Farmers Freezing
PPCS.	Primary Producers Co-operative Society

International agribusiness firms

VEST.	Vesteys
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PROCESSING PLANTS: 1990-1994

Proprietary firms

ATAS.	Atas/Nelson Bays Meat Producers
AUCKL.	Auckland City Abattoir
BLUE.	Blue Skies Meats
CAV.	Cavalier Meats
CORO.	Coromandel Meat Packers
FORTEX.	Fortex Group
FRASER.	Frasertown Meats
HMP.	Hawera Meat Processors
HILL.	Hill Country Beef NZ
KING.	King Country Lamb
LAKE.	Lakeview Meats
LOWE.	Lowe Walker
NZB.	New Zealand Beef Packers
PARA.	Paramount Export
PHO.	Phoenix Meat
PRO.	Pro-Pacific
PROG.	Progressive Meats
RICH.	Richmond
RIVER.	Riverlands
SOUTH.	South Pacific Meats
TP.	Taylor Preston
TeK.	Te Kuiti Meat Processors
WAIT.	Waitotara Meat
WALL.	Wallford Meats
WELPR.	Welpro Meats

Farmers' firms

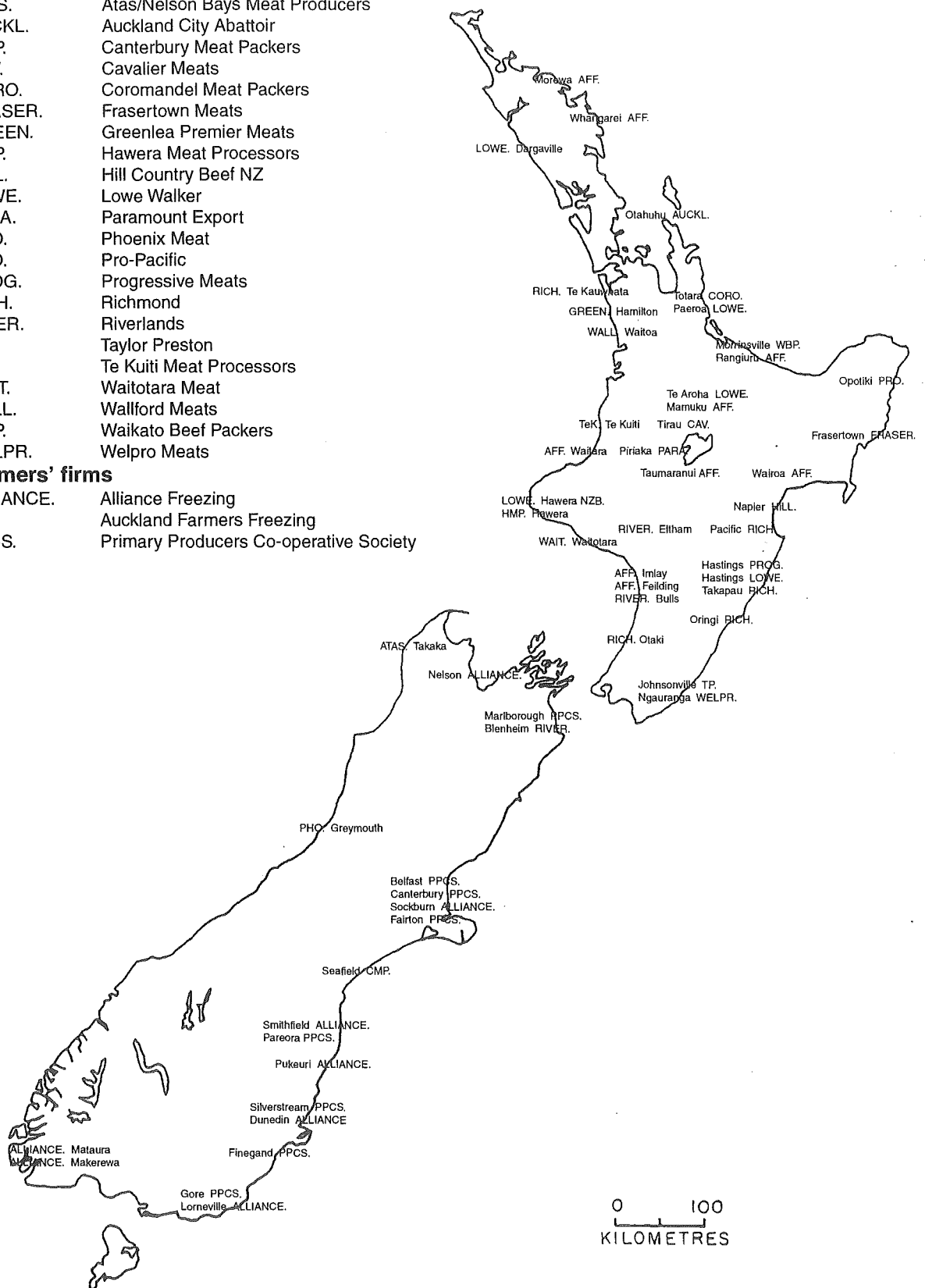
ALLIANCE.	Alliance Freezing
AFF.	Auckland Farmers Freezing
PPCS.	Primary Producers Co-operative Society

International agribusiness firms

VEST.	Vestey's
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ALLIANCE. Alliance Freezing  
AFF. Auckland Farmers Freezing  
PPCS. Primary Producers Co-operative Society



### **Appendix 3.**

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#### **Reflections on the Research Process.**

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##### **Introduction.**

Reflections on the puzzles generated whilst doing research have come to take the place of formal accounts of methodology. I started this thesis with a set of assumptions about measuring social relations that were drawn from Marxism or, more accurately, from what Dunne (1991) has called 'quantitative Marxism'. My original contention was that after producing a statistical summary of Marxist value categories (surplus value, constant and variable capital) relating to the export slaughterhouses I could then pursue the sociological endeavour of positioning the strategies of unions and companies (Pearce, 1986). My research was intended, in essence, as an account of false consciousness (Anderson, 1967). I did not, however, go on to compose my investigation within the strictures of what I then imagined to be (Marxist) scholarship and this methodological appendix is offered, in part, as an account of the disparity between the beginning and end points of this thesis.

The transformation of my research was provoked as a result of doing fieldwork. Fieldwork shattered my assumptions about the export meat industry. Flexibly structured interviews (Whyte, 1979), non-participant observation and, to a lesser extent, documentary research drew me away from the abstractions of my starting framework toward an appreciation of the complex networks comprising the export meat industry. My model of false consciousness survived in libraries whilst I consulted statistics but was undermined after only two visits to the field. The first visit took place at the head offices of the Canterbury-Westland

Branch of the New Zealand Meat Processors, Packers, Preservers, Freezing Works and Related Trades Union and centred on a lengthy 'interview' with one of the union's officials. The second visit took place, several days later, at the home of a man who worked in the boning room at PPCS, Canterbury.

From these visits I found that these men had a knowledge not just of the minutiae of their work (as I expected) but of the networks and narratives in the industry. In terms of the latter, they were reflexive, even cynical, about their own positions and those of other actors in the industry. With hindsight I now wonder how I could ever have imagined it otherwise. However, at the time this demonstration of what I then considered to be the exclusive domain of a 'sociological imagination' was startling. Further, whilst I came to talk about the struggles of capital and labour, these men repeatedly offered explanations of the industry which emphasised 'farmers control'. At the time of these conversations, in 1990, Fortex just had begun its operation at Silverstream and both the union official and the meatworker spent much of my visits talking about the challenge Fortex presented to the co-operatives, Alliance and PPCS. Both emphasised that the fate of Fortex and the co-operatives would be determined by the decisions of local farmer-suppliers.

Talking with union officials and meatworkers led me then to the question of farmers and they became an ever more important component of my research. In my initial conception of the thesis they figured not at all, partly because the only statistics on production suitable for Marxist value analysis were of 'factory production'. These statistics completely excluded farming (Department of Statistics, 1921-1924 1925-1932, 1933-1942, 1943-1952, 1953-1968, 1969-1973, 1979, 1984). At the same time, my reading of Marx, Lenin, Trotsky and Mandel had certainly not sensitised me to appreciating farmers as political actors. I consequently had to search for a new form of

research and of understanding the industry. The results of this search are distilled in my review of the arguments found in the literatures about rural sociology, the political economy of agriculture and actor-networks (see chapter 2).

### **Networking and sponsors.**

As I commenced fieldwork I discovered, as anthropologists often do, that insofar as fieldwork inevitably focuses on networks, the practice of research is itself facilitated by the researcher's efforts at networking (Yang, 1994). Networking became a crucial part of my research, and my own biography, including my tacit understanding of the world Bourdieu (1977), aided my efforts. My biography provided me with contacts. Most significantly, my father's friends at work and his familiarity with officials of the New Zealand Meat Processors, Packers, Preservers, Freezing Works and Related Trades Union proved an invaluable resource in my gaining access to the unions and subsequently to several processing plants. I was able visit the homes of a number of my father's workmates over the course of my research and from these discussions find other respondents.

In the case of the union, I was able to interview on two occasions an officer of the South Island federation who had also served as a union appointee on the Court of Arbitration. Further, my extensive involvement, in the mid 1980s, with an employment campaign sponsored by the Canterbury Council of Trade Unions, had introduced me to three officials of the Canterbury-Westland branch of the union. These men spoke to me often, providing me with copies of the Award and various other 'position papers'. They also allowed me, in 1991, to attend union meetings at two processing plants.

It was my contact with union officials in Christchurch that first allowed me to visit the processing plants. On the basis of overtures made to



the presidents of the union on site and the support of officials in Christchurch I first visited, in 1991, the PPCS plant at Belfast and the Fortex plant at Seafield. In each case, I checked into the plant, spoke briefly with the union official on site, and was then shown around the plant by a supervisor in the company of a number of other visitors. These 'package tours' were a source of considerable amusement to the workforce. On both occasions I was able to talk with the local unionists after the completion of the plant tours.

My network of friends and family was also significant to the process of documentary research. A relative worked in the library of the Christchurch Press, the South Island's largest daily newspaper, and through her support I had access to nearly a century of journalist's articles about the industry. These were catalogued as topics, including entries for the union, strikes, firms, takeovers, the Meat Producers' Board and the Minister of Agriculture. Similarly, my acquaintance with Joanne Neilson (a graduate of the Department of Sociology) allowed me access to the very extensive archives of her late father, John Neilson. This material included speech notes, company reports, letters, minutes of meetings and submissions to the Minister of Agriculture. Sorting this material to provide a time-line of events at Waitaki was a major endeavour in 1991-1992. Joanne Neilson also introduced me to a senior manager in the defunct firm.

My contacts with the union had allowed me into two plants but to extend my studies I wanted to secure access to plants (and firms) through the approval of management. In this regard, I adopted the simple procedure of sending a letter requesting a visit to the managers of six plants in the South Island. In each case their response was affirmative. I was unable for personal reasons to visit the Riverlands plant in Marlborough, but I did get to interview and observe staff at the PPCS plants at Belfast and Canterbury, the Alliance plant at Kaiapoi, and the Fortex plants at Seafield and Silverstream. Such

willingness of production managers to let a social scientist into their factory is obviously not the norm for most researchers. Indeed much of what is written about the organisation of work is accomplished covertly or from the 'outside' precisely because researchers are barred from the factories (Fuccini and Fuccini, 1990).

I attended several meetings held by processing firms, including the 1991, 1992, 1993, annual general meetings of shareholders in Fortex and, in 1994, the official liquidation of the firm. I also attended four meetings of farmer-shareholders in Alliance and PPCS for the mid Canterbury and North Canterbury districts in 1990 and 1992. At each of these functions I introduced myself to the meeting and after the formalities did my best to make further contacts. My most significant contact made at this stage was with a director of one of the co-operatives and member of the Board.

I returned to Fortex, in 1993, with the formal backing of the Institute of Social Research and Development and the brief to produce a summary of the new forms of industrial relations used by the firm (Perry, Davidson and Hill, 1995). Once at Seafield I was invited by the plant manager to observe its operations and to interview workers, supervisors and production managers over three consecutive days. In this respect, I was the beneficiary of a far-reaching sponsorship that gave me privileges to observe and talk with individuals, all of whom were the subordinates of this manager.

The contrast between these two methods of gaining access to research sites is worth opening up. If the informal arrangements allowed me to pursue a form of 'sponsored' research as a set of favours asked of one person by another, the formal arrangements were very different. Access through formal procedures requires the construction of a plausible story line (Goffman, 1989) and the location of effective sponsors who hold significant and powerful positions. Katz

(1992) has speculated on the reasons for sponsorship by such persons in facilitating his study of Sears. He draws no clear conclusions as to why a very busy and very senior manager would want a researcher such as Katz to examine the process of restructuring Sears. I am likewise at a loss to explain why the plant manager at Seafield sponsored this particular piece of research. I suspect that he had more than an inkling of the marketing problems then confronting Fortex and wanted to see what an 'informed' outsider might have to say about the firm. However, I have no idea of his motives for entering into what at times felt very much like a game, that he had set up for himself.

As Pahl (1995) notes of research interviews, in some cases it is not clear who is conducting the interview, the researcher or the interviewer. This observation was one that plagued my own research. Coming to terms with the knowledge of those interviewed led me to an historical sociology (Wierviorka, 1992) grounded in questions derived from fieldwork.

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